

**LIBERAL OR COORDINATED SUSTAINABILITY?  
ENVIRONMENTAL GOVERNANCE  
IN DIFFERENT CAPITALIST SCHEMES:  
GERMANY AND THE UNITED KINGDOM**

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Man muss das unmögliche versuchen,  
um das mögliche zu erreichen.

*Herman Hesse*

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## ACRONYMS

BATNEEC	Best Available Technology Not Entailing Excessive Costs
BPEO	Best Practicable Environmental Option
CDU	Christian Democratic Union (Christlich Demokratische Union)
CME	Coordinated Market Economies
COREPER	Committee of Permanent Representatives
CSU	Christian Social Union (Christlich-Soziale Union)
DDT	Dichlorodiphenyltrichloroethane
DEFRA	Department for Environment, Food and Rural Affairs
DETR	Department for Environment, Transport and the Regions
DG	Directorate General
EC	European Commission
ECA	(United Nations) Economic Comission for Africa
ERP	European Recovery Program
EU	European Union
FDP	Free Democratic Party (Freie Demokratische Partei)
GATT	General Agreement on Tariffs and Trade
GEF	Global Environment Facility
GDP	Gross Domestic Product
HMIP	Her Majesty`s Inspectorate of Pollution
HMG	Her Majesty`s Government
IBRD	International Bank for Reconstruction and Development
ICC	International Chamber of Commerce
IDA	International Development Association
IMF	International Monetary Fund
IPC	Integrated Pollution Control
ITO	International Trade Organization
IUCN	International Union for the Conservation of Nature and Natural Resources / World Conservation Union

IUPN	International Union for the Preservation of Nature
LME	Liberal Market Economies
MIT	Massachusetts Institute of Technology
MNC	Multinational Corporations
NRA	National Rivers Authority
NSDS	National Sustainable Development Strategy
OPEC	Organization of the Petroleum Exporting Countries
QMV	Qualified Majority Voting
RCEP	Royal Commission on Environmental Pollution
Rio+20	United Nations Conference on Sustainable Development 2012
SD	Sustainable Development
SDS	Sustainable Development Strategy (ies)
SPD	Social Democratic Party (Sozialdemokratische Partei Deutschlands)
STALA	Permanent Committee of Departmental Heads of the Federation (Ständige Abteilungsleiterausschuß-Bund)
UBA	Federal Environment Office (Umweltbundesamt)
UMK	Conference of Environment Ministers (Umweltministerkonferenz)
UN	United Nations
UNCED	United Nations Conference on Environment and Development
UNEP	United Nations Environment Program
VOC	Varieties of Capitalism
WB	World Bank
WBCSD	World Business Council for Sustainable Development
WCED	World Commission on Environment and Development
WTO	World Trade Organization
WWF	World Wide Fund for Nature
WWII	Second World War

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# CHAPTER I

## RESEARCH CONTEXT

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This chapter has as objective to indicate the approach of the Doctoral research. So it denotes the problem to be studied and the motives that arise it as a study case. The drive for developing this research is rooted in the outcomes of my Master Degree research, which is titled 'The ideology of the globalization as trigger of the environmental crisis'.

At this point I must stress that the concept ideology comprises a set of criteria by which society judges and interprets the reality, thence influencing the way in which the society relates to reality, it should be stressed the fact that in all of the historical social systems has always ruled the ideology that is most convenient to the dominant class.

That research demonstrated that the function of the dominant discourse, namely 'the ideology of the globalization', is to make sure that capital flows along the same paths as it has always done, at the expense of environmental degradation and the high social and environmental costs, seeking to promote a sustained economic growth, ignoring the ecological conditions that set limits to the capitalist appropriation and transformation of nature. As Burkett (1999, p215) stated:

"For capital, nature is merely an unavoidable prerequisite for the extraction of surplus labor from free labor power and the objectification of this surplus labor in vendible use values".

In this manner the nature is being incorporated into the capital through a double operation: first it tries to internalize the environmental costs of progress, meanwhile, a symbolic operation recognized as a "signification adjustment" takes place, this adjustment recodes man, culture and nature as apparent forms of the same essence: the capital. Thus, ecological processes are designated as different expressions of capital and therefore are denominated as natural, human or cultural capital.

In order to be assimilated by the process of reproduction and expansion of the economic order, restructuring in this manner the production conditions through a rational economic management of the environment.

Thence, the ideology of sustainable development unleashes an uncontrollable momentum of growth that seems to neglect the laws of conservation or social reproduction in order to comply with the metastases of the economic system, a process that goes beyond any standard, reference and sense to control it. In this way the rhetoric about sustainability operates as a fatal strategy, directed towards catastrophe.

Theoretical considerations lead to think that development itself, as well as the use of resources and how to use them should be subjected to moral demands arguing

that a society based solely on consumption and competitiveness could not be claim to be sustainable.

In this direction it should be noted that the economy, without ethics or moral counterweights could lead to a long-term destruction of the globe and its inhabitants. And by destroying nature, the man demonstrates the ignorance regarding its own origin, and reveals an ontological error. In this sense the nature is no longer ruled, but tyrannized by the greed of man and his insane desire for economic expansion and consumption

Theoretical Economics are trying to develop acceptable solutions to environmental problems. Scientific and technological advances are also trying to provide long-term answers. Environmental problems arise in the transitional stage in which we find ourselves. At this stage it is necessary a global and interdisciplinary vision between Ecology, Economics, Politics and Ethics. The peoples and nations of the world can only escape ecological disaster by incorporating principles of austerity. So, at this point is when I started to think about the continuation of that research, how to be aware of what each country is doing regarding sustainability at the three dimensions: social, economic and environmental.

So roughly and considering also that I cannot develop a research including all the countries in the world I started to think about the scope and structure of this research, in this way, I focused in Europe, one of the most progressive regions of the world among sustainability issues, in which almost every country has developed a National Sustainable Development Strategy and also the European Union at the top has a Sustainable Development Strategy. So the region was clear, but making a research about the sustainability issues of every European country seems also a lot of work to develop in the framework of a PhD research. Thence, after taking in consideration many aspects such as the global economic system in which we live immerse and the need of implementing some principles of austerity in order to avoid the ecological disaster, as stated in my master degree, I started to clear my mind, and after a long literature survey I decided to develop a cross national comparison of the environmental governance - focusing therefore in the governmental, political, and economic issues - among two developed European National States. Considering each one as an example of different capitalist scheme, in this sense, Germany was selected as an example of a coordinated market economy and the United Kingdom, as a case of a liberal market economy, in order to evaluate how the overarching infrastructure context of each country may influence the way in which the environmental issues are being handled, thus dealing directly with environmental governance issues.

All of this trying to find an answer to the question:

Can the sustainable development be reached even when we live in an economic system, which is unsustainable in its own nature?

The different capitalist schemes could provide valuable info regarding the general overarching context of each country and demonstrate if there's any difference

regarding the concept of sustainable development and the efforts made towards reaching it. I hope to have positive outcomes at the end of the research and demonstrate the ways in which a market economy could support a rational and nature-respectful development, but I'm also aware that a neoliberal overarching context offers little hopes regarding improvements in the conception of sustainability, but in this case the research could also be very productive because it could demonstrate that the discourse of sustainability is nothing but an environmental euphemism which pretends to allow an improved context for economic growth, disregarding the different schemes in which it could be presented.

### **1.1) Motives and Problematic of the Research**

“Despite the evolution of the global thinking regarding the development crisis, manifested in turn in the form of the environmental crisis, a general evaluation of the proposed alternatives reveals that there are no great accomplishments in searching for definitive solutions. The cookbook keeps obeying to the neoliberal pharmacopeia, and keeps including the structural adjustment programs, the reduction of public spending and greater openness in relation to trade and foreign investment.”  
(Guimarães 1994)

Economic development has been often equated with progress driven by technological innovation. In this way, the quest for economic growth may have produced some benefits, but it has been questioned because it failed to reconcile some basic objectives of human development, such as poverty reduction and environmental sustainability. The economic growth, namely the expansion of the production goods and services has required large amounts of labor, materials, energy and capital, at the end of the equation the economic development has come to a cost to the natural environment that is not reflected in the balance sheet. The concern for the environment could be considered as the global goal. One of the reasons for its widespread appeal is that it does not necessarily challenge the predominant economic paradigm, which considers a free market and economic growth as essential for the human existence. It is a strong concept because it is very vague, it looks to protect the environment while it tries to foster economic development and this is precisely why governments, industries and NGOs have adopted this concept. In this sense the concept ‘sustainable development’ is applied in any imaginable way, it must be outlined that the meaning of such concept may reflect marketing or commercialization techniques which demonstrate the reasons behind it, the pursuit of an economic development at all costs and thence is a clear example of how the ‘sustainable development’ is used as a tool towards allowing the expansion of neoliberal policies. It is clear that the sustainable development assumes the significance in the same moment in which the global centers of power propose the market as the engine of development. The thesis of sustainable development focuses on the policy level. It wants to regulate the capital and make capital internalize social and environmental

costs, as it deems most beneficial to the capital and the environment as a whole. This means sustainable development equals sustainable remuneration (i.e. sustainable capitalism).

But leaving aside the dominant discourse behind 'sustainable development' it must be remarked that a real 'sustainable development' isn't just about ecological and environmental issues, in order to set-up a successful environmental policy, the concept must consider and include political, economic and social processes, which are intertwined with socio-spatial notions of dynamic restructuring of the modes of governance and regulation, and that in turn, involve changes in the 'state – society – market cycle' as a permanent process of selection and institutionalization.

So I'll try to make a general overview about the way in which all these concepts are interrelated.

### **1.1.1) Regarding National Sustainable Development Strategies**

There's now 42 years since the United Nations Conference on the Human Environment (UN 1972), which was held 5-16 June of 1972, in Stockholm, and for that moment on, it could be considered that the environmental crisis occupied a hierarchical place among the considerations of a new world order, inducing a process of awareness about the need of incorporate preventive and corrective ways over the environmental impacts of the productive and consumption practices inside the national development policies.

From there, it is promoted the creation of the United Nations Environment Programme (UNEP), increasing the efforts that the International Union for the Conservation of Nature and Natural Resources (IUCN) has been doing since 1948<sup>1</sup> along with international organisms, from which the MAB program of the UNESCO (successor of the International Biological Program) it is the most prominent, to offer solutions to the accelerated destruction of natural resources and to the degradation of the environmental quality. At the same time, many governments, as well in the highly industrialized as in the economically depending countries, incorporate inside their institutional structures, ministries and official agencies that are in charge of caring about the environmental dimension in the process of development planning.

This led to a wide process of evaluation and world concordance promoted by the general secretary of the UN, establishing a World Commission on Environment and Development. From the inform of the commission, published in 1987 with the title 'Our common future' (Brundtland 1987), which defined Sustainable Development "as the development that meets the needs of the present without compromising the ability of future generations to meet their own needs". This concept had ignited the movements towards sustainability, in this report, the Brundtland Commission found that poor distribution of resources, economic dependency on fossil fuels and overcrowding were the structural problems of the

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<sup>1</sup>When it was created, in 1948 it was called International Union for the Preservation of Nature [IUPN], and then in 1956 changed its name to International Union for the Conservation of Nature and Natural Resources [IUCN]



global ecological deterioration. The Brundtland Commission emphasized the need for a change in the political level and that Sustainable Development could be reached only with common efforts of different governments.

This process gave way to the organization of the United Nations Conference on Environment and Development (UNCED) that was held from June 3 through June 14, 1992, in Rio de Janeiro, Brazil, congregating the state chiefs of all around the planet. The commitments for the development of Sustainable Development Strategies following the recommendations of the program of action towards a socially and ecologically sustainable development, called agenda 21, which was a conjunct goal of the 178 governments that voted to adopt in this World Summit signaled a key point regarding the management of environmental issues.

### 1.1.1.1) About Sustainable Development Strategies in Europe

Following this, in the 1997 Rio+5 meeting, the governments decided to set 2002 as target date to introduce the Strategies. In June 2001 the European Council in Gotheburg reiterated the invitation to its member States to present their strategies in 2002. All of these were successfully efforts and by 2002 many European States presented their Strategies. In 2006 with the development of the *Renewed European Union Sustainable Development Strategy* (European Council 2006) the EU has invited their newer members to develop their National Sustainable Development Strategies, and to the other member States to review their approaches. Fig. 1.

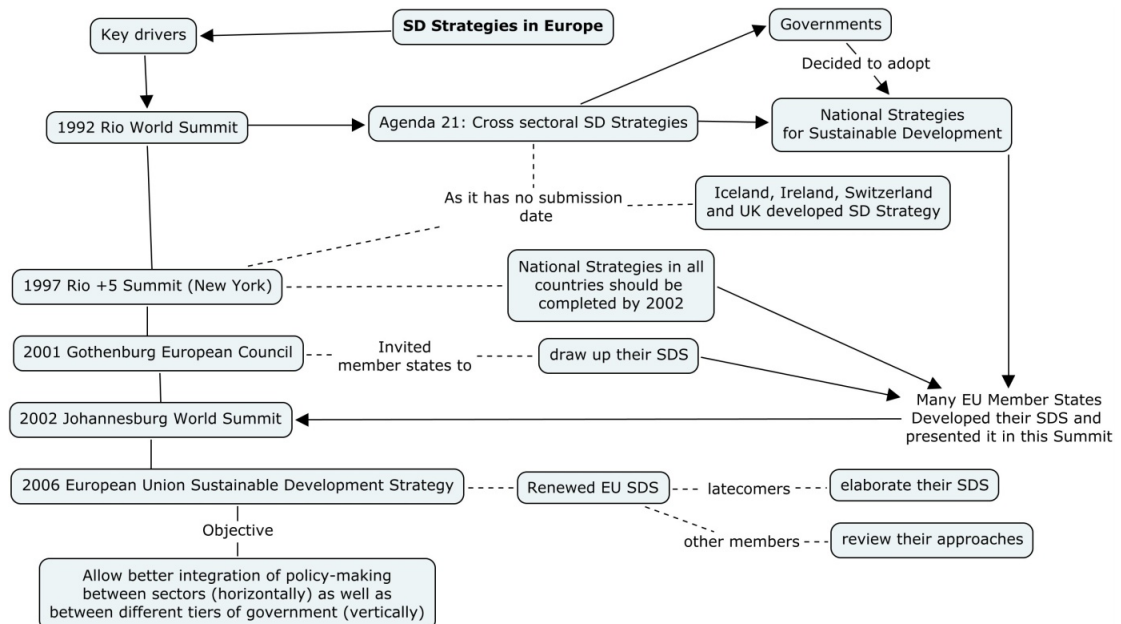


Figure 1. Sustainable Development Strategies in Europe  
Source: Table arranged by author

Of course the socio-environmental conflict generated by the worldwide dominant economic rationality has not been settled in the Río agreements. The process of environmental degradation hasn't been stopped.

It is important to note that environmental strategies do not require radical changes and can be easily added to the existing regulatory structures, this has enabled that some governments establish them in the way that Jorgens (2004) indicates "(as) the application of an international standard for sustainable development, demonstrating that the government acted appropriately " but without introducing far-reaching political structural changes.

#### **1.1.1.2) Major Problems**

It is important to notice that sustainable development hasn't almost any detractor, as Guimarães(1994, p47) remarked, "it is nearly impossible to find just one social actor of importance who declares to be against it", this unanimity regarding sustainable development can be helpful to understand why many governments have signed agreements towards environmental degradation mitigation, or even developed Sustainable Development Strategies, but they don't have implemented any kind of radical solution towards the objective of instaurate a 'real sustainable development' or to at least reduce the environmental degradation.

Here a 'real sustainable development' is signaled to differentiate it from the ideological notion of sustainability that is used actually to introduce an equivalent of an environmental restriction in the capitalist accumulation process, without confronting yet the institutional and political processes that regulates the property, control and use of the natural resources. Neither evident are some essential actions to change consumption-patterns in the industrialized countries, which determines the internationalization of the model. (Guimarães 1994, p49)

The impulse that the Sustainable Development has gained among the actual speech involves many paradoxes, it has assumed the importance in the moment when the global power centers declared the shortcoming of the State as promoter of development and proposed the market as its replacement, while declaring also flaws within governmental planning. All of these factors denote a deep restructuration on the modes of governance, caused in turn by an evolution and succession of intertwined social, economic and political processes. Anyway, it could be considered that they all had a common root on the contemporary processes of globalization and the economic changes it has unleashed. See Figure 2.

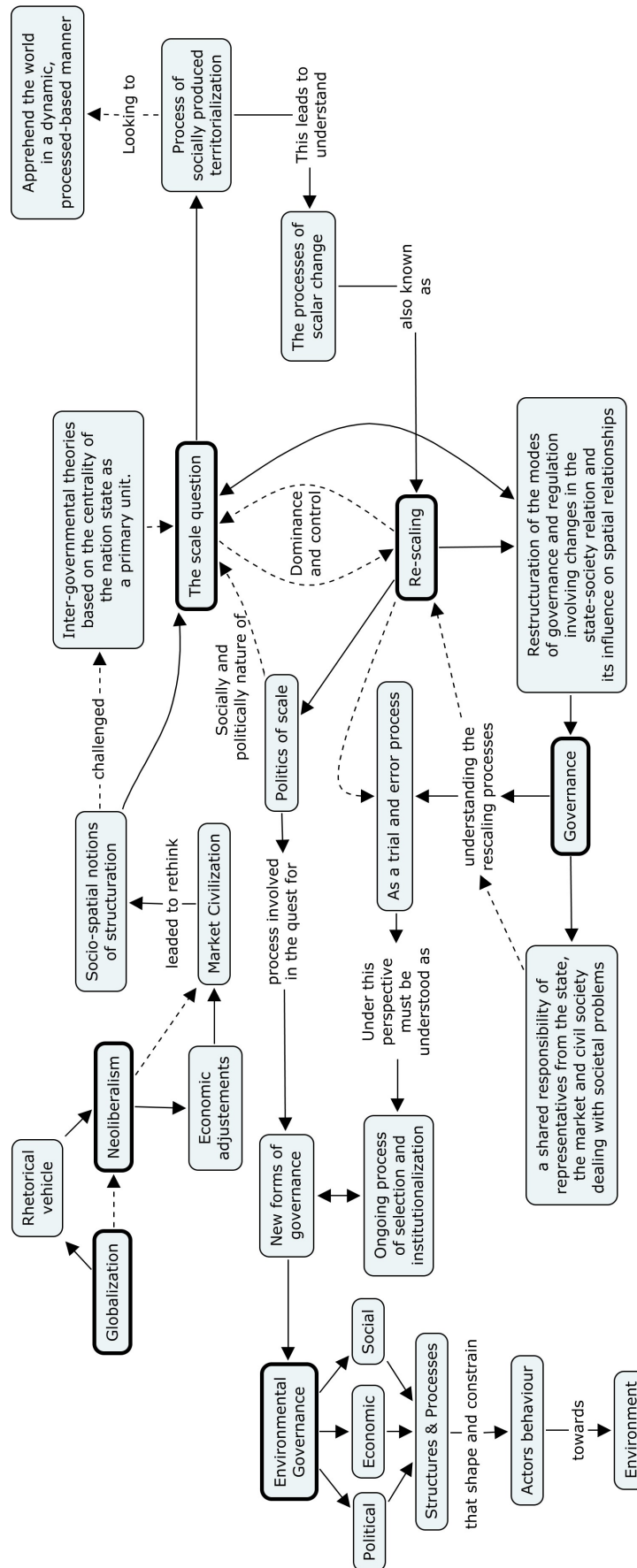


Figure 2. Globalization - Neoliberalism - Scale - Rescaling - Governance - Environmental Governance.  
Source: Table arranged by author

## Brief explanation of Figure 2

### 1.1.1.2.1) Regarding Globalization

The book '1688: A global history' (Wills 2001), demonstrates that since those times, it was hard to find a place in the planet that hasn't any relation with foreigners and world trade, when it could take twelve years to circle the earth, and when the processions of wooden ships from Arabia, China, England, France, Holland, Portugal and Spain were perfect examples of a global network.

Even when this globalization process has been present for quite a long part of the history of mankind, its effects now are stronger than ever, unleashing through financial, political and economic adjustments a cultural homogenization of the world, and because it is an economic based phenomenon it denotes a very strong interests towards chrematistic issues.

In their post-1945 phase, the contemporary processes of globalization are unparalleled, at least in terms of scale and extension, for the first time in history there is 'a single, increasingly integrated and universal world economy largely operating across frontiers and therefore increasingly across the frontiers of state ideology' (Hobsbawm 1996)

Very broadly, (and at risk of generalizing too much) the late 60s and early 70s were dominated by political economic theories and political activists movements inspired by a strongly international analysis and agenda, which considered that the capitalism was, since its beginning, a geographical project of spatial expansion and spatial integration, this wasn't labeled then as globalization but rather as very political concepts such as imperialism, neo-imperialism, neocolonialism, uneven development, etc. (Baran, Sweezy, Mandel, Amin).

Many progressive economists were questioning the laissez-faire argument and viewed the 1970s lurch towards liberalism as a temporary response to the economic instability of that decade.

"As corporate interests decided that the Keynesian regulationist approach no longer worked to their advantage, they looked for an alternative and found only the old liberal ideas, which could at least serve as an ideological basis for cutting those state programs viewed as obstacles to profit-making". (Kotz 2002)

'Globalization' therefore appeared as the rhetorical vehicle and analytical device used to describe this allegedly important shift in the economic and political organization of the world economy and the concept soon moved into the cultural domain too (Featherstone et al. 1995) as cited in (Swyngedouw 2004, p27).

### 1.1.1.2.2) About Neoliberalism

In the 80s, a strongly intense discursive shift took place, formalized in the Washington consensus (1989) and propagated throughout the world - through the stabilization and structural adjustment policies of the International Monetary Fund (IMF) and World Bank. It is what Stephen Gills called 'Market civilization'

"The concept entails, on the one hand, cultural, ideological, and mythic forms understood broadly as an ideology or myth of capitalist progress. These representations are associated with the cumulative aspects of market integration and the increasingly expansive structures of accumulation, legitimation, consumption and work. They are largely configured by the power of transnational capital". (Gill 1995b)

These neoliberal policies posits in its most radical statement:

"... the open, competitive and 'unregulated', which are not subject to state interference or the actions of social groups, represent the best mechanism for economic development". (Brenner & Theodore 2002)

Through the implementation of these policies the state is assigned with a very limited economic role: defining property rights, enforcing contracts, and regulating the money supply.

"Regional and national states develop a feeling of progressive pressure towards having the capacity to assure an entrepreneurial culture. This feeling is sparked by threads (either real or not) of hyper-mobile capital relocating their activities, and in order to inhibit this scenario, they practice fiscal constraints; flexibilize labor markets; minimize environmental and social regulation, etc. This kind of behavior is recognized as the definitive way to competitiveness and sustained growth for regional and national economies". (Swyngedouw 2004)

"...virtually every government, at every conceivable scale of governance, has taken measures to align its social and economic policy to the exigencies and requirements of this new competitive world (dis)order and the forces of a new *truly* free-market based world economy". (Peck & Tickell 1995)

But how, precisely, are these constantly agitated spaces of restructuring to be conceptualized?

### 1.1.1.2.3) Concerning Scale

Gualini (Gualini 2006) stated that all of these changes in the world order have leaded to rethink the notions of socio-spatial structuration which in turn has been key to inquiring into the spatial effects of supra- and trans- nationalization phenomena, challenging regional integration and inter-governmental theories

based on the centrality of the nation state as a primary unit, he cites Jessop by saying that 'research about the political economy of globalization has thus focused progressively on changes in the nature of the capitalist state' (Jessop 2002a). Looking to articulate and apprehend in a more abstract level with what spatial research were dealing for quite a time, and after a questioning of terms related to spatial disciplines such as space, territory, region, place, locality, etc. The 'scale' concept (and its derivatives) emerged as a valuable tool, providing an opportunity to 'apprehend the world in a dynamic, processed-based manner' (Swyngedouw 2004).

Keil & Brenner (2003) signaled that many authors (Harvey, Swyngedouw, Smith, etc.) consider the globalization as a *geographical euphemism*, 'a deeply controversial reorganization and de-territorialization of capitalist spatiality and the power relations on a whole range of spatial dimensions and institutional sites throughout the world system'.

"The discourse of globalization is shifting, therefore, towards a questioning about the unequal dynamics of deterritorialization and reterritorialization of capitalist spatiality and the rescaling, under an ongoing capitalist crisis". (Keil & Brenner 2003)

For them the 'scalar' methodologies developed around the analysis of the emerging geographies of political power, from struggles and resistances in the entire global system.

Keil & Brenner (2003) listed the most mentioned assumptions regarding scales:

- Scales from the urban and regional to the national and global are not given but can also be socially produced and are historically variables. In the same direction, Gualini (2006) signaled that 'scale is not a given order, but a constitutive dimension of processes of social, economic and political ordering', and also cites Neil Smith "(scale is)...socially produced as simultaneously platform and container of certain kinds of social activity" (Smith, 1995) to remark that is not a pre-given "platform", also Swyngedouw sees scalar configurations as the outcome of socio-spatial processes that regulate and organize social power relations. As a geographical construction, scales become arenas around which socio-spatial power choreographies are enacted and performed (Swyngedouw 1997).
- A geographical scale is a process and not a thing: the scaling processes contain the territorialization of social relations in a certain geographical level (global, national, regional and urban as different scaling processes).
- Scales are relational: the meaning and function of every single scalar dimension essentially depends on the connections and relationships to other scale dimensions within a broader hierarchy of scales.

Gualini (2006) outlined another two main assumptions:

- The outcomes of processes of scale formation are tangible and have material consequences.
- Scale effects are seen as 'political'. However, this implies overcoming a narrow understanding of 'politics' limited to formal state structures and governmental institutions.

#### **1.1.1.2.4) About Re-Scaling**

The first statement about scales being not a given 'platform' but an evolving dimension of social, economic and politic process, has a considerable importance (by the similitude of its content by the four cited authors, and) because it leads to understand the processes of scalar change, also known as 'rescaling'.

And to understand better this notion of rescaling, the assumption about the political scale effects provides a clear understanding about 'rescaling' mechanisms and how they're not limited to the distribution or re-distribution of established state powers but they are questioned at some degree 'as part of a restructuration of the modes of governance and regulation involving changes in the state-society relation and its influence on spatial relationships'. (Gualini 2006)

From the view of Swyngedouw (2004) all of this suggests that the continuous reshuffling and reorganization of spatial scales are an integral part of social strategies and struggles for control and empowerment.

"Globalization is part of a proliferation of scales as institutionalized, narrated objects of action, regularization and governance. The number of discrete scales of action that can be distinguished is potentially infinite but far fewer scales actually come to be institutionalized as explicit objects of regularization and governance".  
(Jessop 2000)

So it could be assumed that the new geographies produced by state rescaling and restructuring have to be understood through what Brenner labels as a "processual analysis of how historically specific configurations of state space are produced and incessantly reworked" (Brenner 2004)

#### **1.1.1.2.5) As Regards Governance**

These mentioned assumptions highlight the connection with a conception of 'governance' as an emergent and experimental practice, and of the redefinition of governance scales as a key component of this experimentation.

For Bob Jessop governance 'is defined as the reflexive self-organization of independent actors involved in complex relations of reciprocal interdependence, with such self-organization being based on continuing dialogue and resource-sharing to develop mutually beneficial joint projects and to manage the contradictions and dilemmas inevitably involved in such situations.' (Jessop 2002b)  
I would like to mention two more definitions that points in Jessop's direction:

“The term governance represents the notion of steering, and can be seen as a shared responsibility of representatives from the state, the market and civil society dealing with societal problems”. (Glasbergen & Driessen 2002).

“When talking about governance we generally accept that the state no longer has the necessary authority or means to produce a ‘political’ position that adequately represents the general or collective interest”. (Lamy & Laidi 2002), as cited by van Zeijl-Rozema (van Zeijl-Rozema et al 2008)

While there are a multitude of perspectives and interpretations of the term governance, it implies a focus on ‘systems of governing’, means for ‘authoritatively allocating resources and exercising control and co-ordination’, in which state actors are not necessarily the only or most significant participants. (Bulkeley 2005) For Gualini (2006) an ‘experimental’ understanding of rescaling processes is in line with a conception of governance as a trial-and-error process, according to Jessop ‘new governance mechanisms, like new structural forms, emerge from a trial-and-error search process which operates through evolutionary variation, selection and retention’ (Jessop 1995) as cited in (Gualini 2006), which views the outcomes of governance-regulation as emergent, relatively stabilized, but constitutively unstable systems of relations.

In this perspective, governance and regulation must be understood as ongoing processes of selection and institutionalization, by which the structural coupling and co-evolution of governance-regulation mechanisms and their objects are realized (Jessop 1990).

Accordingly, Gualini (2006) uses the notion of “politics of scale” (Smith 1990) to put emphasis on “rescaling” as a process constitutively involved in the quest for new forms of governance and regulation.

As such, rescaling processes bear a dimension that is simultaneously strategic and discursive, challenging explanations in terms of “economic determination” as well as assumptions of institutional determinism, and raising questions about the institutional capacity of state actors to achieve effective outcomes and to stabilize them through forms of institutionalization.

#### **1.1.1.2.6) About Environmental Governance**

The literature on the politics of scale has provided some significant insights into the socially and politically constructed nature of scale, and the ways in which processes of scaling and rescaling are intertwined with struggles for dominance and control. (Bulkeley 2005) He also considers that governing the environment involves both political processes of scaling and rescaling the objects and agents of governance, as well as attempts to create new, networked, arenas of governance. According to Meadowcroft (2002), it is possible to interpret this change in the prevailing management paradigm as a reconceptualization of the scales at which environmental problems (and potential solutions) are to be approached.



Citing Keil & Brenner (2003): 'Scales are relational: the meaning and function of every single scalar dimension essentially depends on the connections and relationships to other scale dimensions within a broader hierarchy of scales.' As such, the 'priority, both theoretically and politically, therefore never resides in a particular social or ecological geographical scale; instead, it resides in the socioecological process through which particular social and environmental scales become constituted and subsequently reconstituted' (Swyngedouw & Heynen 2003)

Levy and Newell had defined the term environmental governance as a signification 'of the broad range of political, economic, and social structures and processes that shape and constrain actors' behavior towards the environment' (Levy & Newell 2004). So it can be considered that environmental governance refers to the various ways in which are regulated the repercussions of the human activities in their natural context, as it is developed within political, economic and social framework it inherently implies rule creation, institution-building, as well as understandings of acceptable behavior towards the environment, in processes that engage the participation of a broad range of stakeholders.

So it appears to be that on each dimension there has been progression from a partial view to a wider and more understandable vision. But at the same time it is not that easy to shift among scales, (to go from the particular to the general) because this process can result in misleading. The wider and more comprehensive vision also brings increased diversity, specificity and complexity.

"While the new approach to environmental governance appears to emphasize broader scales, and the locating of problems and solutions in wider contexts, it is also leading to more variegated and complex practices". (Meadowcroft 2002)

Meadowcroft signals that there was a tendency for governments to draw social partners (including business and NGOs) into dialogue to develop agreed responses to environmental challenges (Meadowcroft 1999) to outline that it represents a partial opening of previously closed policy networks, and a widening of the range of social actors whose input is considered significant for the social management of environmental problems.

"Nevertheless, each of these developments has also added to the diversity and complexity of the system of environmental governance. Regional and global environmental regimes have not replaced national regulation and initiatives, but rather have generated an elaborate, multi-tiered system of governance, which actors at all levels find difficult to navigate. National plans have provided overviews and contributed to certain kinds of policy 'integration'. But such plans have been established alongside existing processes of planning (such as national budget cycles, and land use planning systems) creating a more heterogeneous whole. Moreover, national plans have been accompanied by the development of specific plans of all sorts (for sub-regions and localities, for particular economic sectors such as transport, for environmental themes such as waste disposal, and so

on). Here general objectives become more concrete, but they also become more detailed, specific, and varied; and the result is a patch-work of ever more differentiated perspectives, approaching matters at finer as well as larger scales".  
(Meadowcroft 2002)

## 1.2) Main Research Questions

As mentioned before, the objective of this research is to find an answer to the question:

*Can the sustainable development be reached even when we live in an economic system, which is unsustainable in its own nature?*

It could be considered that the reason that after 22 years and lot of environmental agreements and treaties there's no solution towards environmental degradation, is what Leff (2007) had pointed out.

"The discourse of sustainable development seeks to inscribe environmental policies in the adjustment paths that bring neoliberal economics to the solution of environmental degradation processes and the rational use of environmental resources, while responding to the need to legitimize the market economy. These strategies of capitalization of nature have entered into the official discourse of environmental policies and their legal and regulatory instruments".

Sustainable development, as is defined in the Brundtland Report (Brundtland 1987) states:

"Sustainable development is the development that meets the needs of the present without compromising the ability of future generations to meet their own needs".

So, after considering Leff's statement, this definition can also be seen from an economic viewpoint, and therefore it could be defined as the maintenance of a resources stock and of the environmental quality in order to ensure the satisfaction of the basic needs of contemporary and future generations. Thence, it could be assumed that from a pure economic perspective, what is pursued is a sustainability of development and not a sustainable development.

Therefore, the research will be guided through the following questions:

### **Sustainable development or sustainability of the development?**

- Sustainable development within a capitalist framework?
- Who is supporting this concept of sustainable development?
- What are the reasons for the support of such concept?
- Why it seems that the global goal has everything to do with sustainable development?
- Sustainable development? Of what?

### **Different varieties of capitalism equals different approaches regarding Sustainable Development?**

- Is capitalism compatible with democracy?

- What could be the reason for the emergence of the environmental policy within the European Union?
- In which ways do the overarching political and economic context of the European Union exercises its influence over national governments and the way in which it is being handled the environmental governance?
- There is a significant difference between both national variants of capitalism regarding their approach to Sustainable Development? And if so, which is the cause of such difference?
- What is the significance of the environmental discourse in both nation states?

## CHAPTER II

### CONCEPTUAL FRAMEWORK

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This chapter has as objective to remark the conceptual framework around which the research will be developed. It has been structured with five sections that support it. In the first section it is presented the design of the research; the second section presents the hypothesis that will guide the study; in the third section the objective is outlined; the fourth, fifth and sixth sections deals in turn with the arguments for the selection of the case study nations as well as with a reflection about developing a comparative study focusing in the environmental governance, the seventh section offers a description of the methodology to be used in the research, the eighth section presents the strategy to be developed within the research and as a ninth section it is presented a final reflection about the conceptual framework.

#### 2.1) Research Design

The hypothesis was created after a deep literature review trying to give direction to the research towards its objective, so it has also been very helpful to have in consideration the research questions. The research then follows with the development of the theoretical framework, which is closely related of course, with the research problem, and this in turn is approached within the research conceptual framework. Furthermore, the research topics (which have a strong relation towards the objective and the research questions because its function is to fulfill the research objectives) along with the evaluation that would result from these topics, are the focus of the research since both sections (based on the objective and research questions) would collect the data and findings to be discussed in order to present the conclusions of the research. Fig. 3

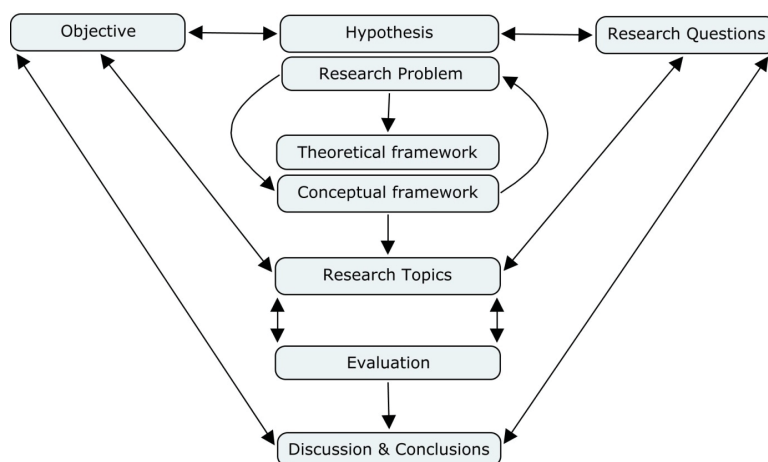


Fig 3. General structure of the research.

## 2.2) Hypothesis

Based on the literature review and analysis on the context of economics, comparative studies and sustainable development, the following hypothesis is put forward:

Sustainable development is a concept that although based in a respectful way of interacting with the living species in the planet, has been used as an ideological tool towards the expansion of the neoliberal system. And because of this, the major global financial institutions have supported it, a fact that has provoked the institutionalization of the concept at every conceivable scale as a way to sustain economic growth. Therefore, following this train of thought, if the concept is being implemented within a coordinated market economy or within a liberal market economy makes really no difference at all, as its objective will always be to maximize profit.

## 2.3) Objective

As it was presented before, sustainable development is not only about environmental and ecologic considerations but rather a whole set of political, economic and social processes.

This research pretends to contribute to the understanding of this concept, analyzing it from a critical perspective, therefore focusing in the facts that gave way to the development of the concept and how it has been promoted as the general global goal of the planet. All of this by inquiring questions such as: who are the supporters of this concept? And why are they supporting it?

To then proceed to analyze the way in which this concept has been institutionalized in Europe and how the overarching infrastructure context of the European Union may influence the way in which the environmental issues are being handled in the two selected National State, all of these trying to highlight differences in governmental, political, and economic institutions among them.

The drive for developing a comparison based in the varieties of capitalism approach is to try to find out what are the motivations of Multi National Corporations towards environmental concerns (with the objective to differentiate 'real' environmental concerns from 'rhetoric' ones) in the two selected Nation-States (which in turn represent different capitalist schemes; Germany as a case of a coordinated market economy and the United Kingdom as a case of liberal market economy) towards a better understanding of the relation between the environmental discourse and the ways in which it is being considered in each one of the two capitalist schemes.

## 2.4) Selection of the Case Study Nation-States

As the objective of this research is to highlight an array of differences in governmental, political, and economic institutions among different capitalist schemes, the countries contemplated for the research are Germany and the United Kingdom, considering them as examples of a market economy in the case of the United Kingdom, and as a coordinated market economy in the case of Germany.

	Coordinated (Germany)	Liberal (U.K.)
Logic	Collective ordering	Market ordering
Policy	Centralized	Decentralized
Implementation, administration	Decentralized, standardized	Decentralized, varied
Politics	Strong, centralized parties	Individualized political markets
Interest groups	Corporatist organization	Pluralist organization
Market economy	Coordinated	Liberal

Table 1. Infrastructures for Urban Governance. Source: (Sellers 2002)

### 2.4.1) Germany

In coordinated market economies, firms depend more heavily on non-market relationships to coordinate their endeavors with other actors and to construct their core competencies. These non-market modes of coordination generally entail more extensive relational or incomplete contracting, network monitoring based on the exchange of private information inside networks, and more reliance on collaborative, as opposed to competitive, relationships to build the competencies of the firm. (Hall&Soskice 2001, p8)

According to Sellers (2002, p6-7) the organized infrastructure generally attributed to Germany and northern Europe presents the type of infrastructure most directly opposed to the market model. In this system, lawmakers and norms issued at the heights of the state set the broad lines of policy. Strong, centralized parties as well as highly organized economic interests help enable this pattern. Administration operates in a decentralized manner to carry out this policy, but a national system of localized, civil service bureaucracy as well as national parties and organized interests help assure consistent local approaches to application. Fiscal equalization reinforces these tendencies with equal local financial obligations. The standardization inherent in this system helps equalize disparities in policy among places, and gives potentially mobile firms and workers less incentive to search for more favorable local contexts. Just as the state relies on these elements of formal organization, the capitalist order of this coordinated market economy relies on organization and institutionalized cooperation. The encompassing, hierarchically organized business and labor interests of corporatism shape national economic decisions. Industrial relations, worker training, corporate organization, and

relations among businesses order the operation markets through collective institutions and cooperation among them. Throughout state and society, in what might following Weber be termed a formally rationalized system of state society relations, an infrastructure of formal organizations shape activity.

#### **2.4.2) United Kingdom**

In liberal market economies, firms coordinate their activities primarily via competitive market arrangements. Market relationships are characterized by the arm's length exchange of goods or services in a context of competition and formal contracting. In response to the price signals generated by such markets, the actors adjust their willingness to supply and demand goods or services, often on the basis of the marginal calculations stressed by neo-classical economics. (Hall&Soskice 2001, p8)

Following Sellers (2002, p6) in the United Kingdom a market-centered infrastructure builds upon institutions that require and foster private ordering through markets.

In the governmental and administrative sphere, as well as among political parties and interest groups, supra-local institutions here present a decentralized pattern of fragmentation. Especially since the 1960s, interventions from state and federal governments have remained limited. No uniform system of bureaucracy or political organization imposes consistent processes in local administration. Fragmented, decentralized local governments and political organization predominate. Rules discourage organized political parties. Politics as well as policy-making resemble the open-structured, flexible and volatile structures of the marketplace.

Decentralized fiscal infrastructures for local government also make local revenues dependent on local tax bases. The broader dependence of the liberal market economy on markets to order production and innovation reinforces and builds on these tendencies. In the place of coordinated market institutions, shareholder value, fluid labor markets, general educational credentials and contractual relations among firms predominate.

#### **2.4.3) Overview of the German and the British Sustainable Development Strategies**

The first version of the German NSDS was published in 2002 under the name "*Perspectives for Germany/ Our strategy for sustainable development*", it considered the economic, social and environmental dimensions within the framework of four guidelines and 21 Indicators, organized along the four main guidelines, touching social, economic and ecological policies.

In 2006, the *Statistisches Bundesamt*, developed an "*Indicator Report*", that compared the values of the sustainability indicators to the targets set in the strategy of 2002. And it added subthemes to the 21 indicators.



In the Progress Report on the National Sustainability Strategy published in November 2008, Climate and energy, raw materials (the management of raw resources) and demographic change are central topics and the Indicator Report 2008 has slightly changed compared with the previous edition.

In 2010, the report has remained mainly unchanged compared with its predecessor.

Towards 2012 the Federal Government held in 2010 a two months civil dialogue to sustainability, covering basically two main themes: sustainable management and water.

In 1994 the document "*Sustainable Development: The UK Strategy*", was published as one of the first answers for the commitments signed in Agenda 21. Two years later in 1996, the UK government developed a set of sustainable development indicators. The government published in 1998 a consultation document.

In 1999 and after deep consulting and reviewing, the government published the strategy named "*A better quality of life – Strategy for sustainable development for the United Kingdom*".

Later on the same 1999 as the UK devolved the powers to the administrations of Scotland, Wales and Northern Ireland, the UK Government published the report "*Quality of life counts*" (DETR 1999), the document was intended to give baseline data for sustainable development indicators supporting the 1999 strategy.

Northern Ireland published in 2001 its first formal Regional Development Strategy, the Scottish Executive published in 2002 its Strategy and the National Assembly for Wales published in 2004 their own Strategy for SD.

In 2002 the UK Government published *Achieving a better Quality of life* (DEFRA 2002) which focused on progress towards SD throughout the year 2001.

In 2004 a consultation paper was developed to review the UK sustainable development strategy with the involvement of civil society, and the response for the consultation led to the development of the 2005 Strategy, called *Securing the future* (H.M. Government 2005). This included a set of 68 strategy indicators that is more outcome-oriented.

Both strategies were developed from the agreements reached in the Agenda 21, it is important to mention that this document was presented with a very low degree of formal obligation and therefore it let the developers decide policy when to adopt environmental strategies (at least until 97, where the Rio +5 meeting established that the national sustainable development strategies had to be submitted by all countries at the World Summit to be held in Johannesburg in 2002), because of this the UK published its first version in 1994 and Germany in 2002.

German and British strategies, share their approaches to the economic, social and environmental dimensions of sustainable development, are guided by Governmental Cabinets and have well established SD governance systems with institutions dedicated exclusively to Sustainability.

Both strategies have arranged consultations dialogues in which the people has expressed their opinions to the development of the framework that would orientate

their way towards SD, though both strategies have received some criticism, it could be assumed, by the level of participation and involvement of the people, that they had contributed to define the final NSDS.

Based on an analysis of both strategies, one could assume that the National Sustainable Development Strategies that are driven by governmental institutions, as in the case of the German and the British strategies have enabled the strengthening of links between national and sub-national levels in both countries, which makes clear the fact that these governments are very sensitive to the European Sustainable Strategy, which in the version published in 2004, defined the importance they place on vertical integration.

“Vertical integration is important for the government of SD, since it addresses the fact that some issues which cut across the boundaries of different jurisdictions, of supranational institutions like the European Commission, through federal and state governments to municipalities”. (European Commission 2004, p15)

Therefore, although the strategies were designed in response to the agreements contained in Agenda 21, the motor that drives them is now the Sustainable Development Strategy of the European Union.

This cannot be considered a surprise, given the peculiar nature of its institution-building process that the European Union and particularly the European Commission, has proven to be the most powerful actor in expressing both a political intentionality and practices to actively delineate policy "in accordance with their own domestic policy styles and regulatory traditions in the hope of minimizing the cost of subsequent political and administrative adjustment." (Busch & Jörgens & Tews 2005, p151)

## **2.5) Comparative Studies Regarding Environmental Governance**

“In a given national context, even fundamentally different regimes may pursue similar objectives. Faced with different contexts, even similarly composed regimes may find themselves in pursuit of different aims.”  
(Sellers 2002, p 1)

That is why it can be logic to assume a comparative study of the environmental politics and governance between two developed European countries (considering the European continent one of the most progressive regions in the world regarding Sustainable Development, in which almost every government, also the European Union at the top have established Strategies for Sustainable Development). A cross-national comparative study presents a challenge as it does an opportunity. In undertaking comparative, cross-national research from the national standpoint, the comparative environmental politics have the chance to innovate by elaborating forms of comparative analysis at different levels that can more effectively grasp the changing character of the nation-state and the influence that the overall framework of the European Union may exercise over it.

## **2.6) Research Methodology**

The study work is a comparative research that will be conducted following a deductive approach. Spatially, cross-national comparisons are by far the most common and are very constructive. In this direction examining the political and economic national contexts of both countries, in order to have a national background; all of this aiming to exemplify how two national variants of capitalism and policy making can provoke differences in the behavior of governmental, political, and economic institutions regarding sustainable development.

## **2.7) Research Strategy**

This research attempts at the interactions, incorporations and interrelations between political, economic and social processes that have derived from the emergence of the environmental concerns in the planet, but focusing in the institutionalization of such concept within the European Union and the way in which it has been delineated the environmental governance in the two selected nation states. So, in the attempt to outline the differences in governmental, political and economic institutions between the different capitalist models, (coordinated market economy and liberal market economy, exemplified by the selected countries) in order to address the objective of the research and to find an answer to the main questions, the study is divided into three investigation phases.

The first phase is the theoretical framework, this is the central core of concepts and theories that will support the whole research, and therefore it deals with critical analysis of the Sustainable Development concept. Going back to when the concept did not exist yet, from its ideological basis and how it gave way to the emergence of the environmental consciousness, stressing the way in which the concept was presented and questioning the original paragraph which defines it, while also signaling the way in which the neoliberal ideology has permeated the concept of sustainable development.

Also in this section and as part of the critical perspective from where this research is developed, an analysis of the Global Financial Institutions is developed, where it is outlined the way in which the planet is being handled since the end of the Second World War, and what is the relation between these Institutions and the sustainable development.

Then, the first section focuses in a critical analysis of the green economy concept, which was presented as the cornerstone at the Rio+20 summit in 2012. The theoretical frame of the research ends with a subsection covering the role of the nation state in the institutionalization of globalization.

The second phase is the analysis phase, here and trying to have a clear idea about the environmental governance in Europe, the section discusses issues such as the relation between capitalism and democracy, the way in which it is developed the institutionalization of environmental policy as well as the political objectives of the environmental discourse within the European Union. After this analysis, the research deals with the national states, considering them as economic-social spaces in a comparative approach from the environmental perspective, in this way the research focuses on policy principles, policy styles, political parties, economic structure as well as the environmental policy and environmental administration in both nation states.

The third phase of the research is the evaluation phase, so it outlines how the different capitalist schemes have influenced the environmental governance in each nation state. In this way and trying to contextualize the 'varieties of capitalism' approach, it is presented a brief political economic context of the approaches of comparative capitalism. Then, the research proceeds to outline similarities and differences between liberal and coordinated market economies.

As concluding section, the questions of the research are answered,

## **2.8) Final Considerations**

According to Finger (2008) actors—be they individuals or organizations—always act under rules, which are sometimes also called "institutions." These rules—which can be formal or informal—set the incentives for the actors' behavior. As such, institutions (rules) are never neutral. In other words, no matter how well intentioned the actors (individuals and organizations), their behavior is always framed by more or less institutionalized rules. Changing these rules is generally beyond the power of single actors, as it requires both a long-term perspective and coordination

with other actors. Actors always aspire to increase their "degree of freedom," that is, to somewhat influence to their advantage the rules (institutions) that constrain their behavior. And then continues to outline that nation-states are a quite particular form of institution, for three different reasons. First, nation-states have managed to attribute to themselves the monopoly of legitimate violence, which makes their rules more easily enforceable than any other rules. Second, and building on this monopoly of legitimate violence, an entire legal apparatus and profession has been built around nation-states, which institutionalizes state-backed rules more deeply than any other rules (Weber 1925). Finally, and precisely because of this process of institutionalization, nation-states' rules have not only developed a life of their own, but actively contributed to "disembedding" modern society from their (bio-physical and cultural) environments, as well as to perpetuating such 'disembeddedness' (Giddens 1990; Polanyi 1944). Indeed, when it comes to modern society's relationships with its environment, most rules shaping the relevant actors' (unsustainable) behavior are influenced, if not directly determined, by the nation-state. Of course, new supra-national institutions have been emerging since, but they remain heavily shaped by nation-states to this day. Moreover, when focusing on an international level, nation-states can also be actors.

This is the reason why this research is focused in making a comparison between two national states leaded by different modes of capitalism, which may be useful to highlight an array of differences in governmental, political, and economic institutions that exemplify two of the principal national variants of capitalism and policy making among developed European countries and the influence each one exercises towards defining a national institutional behavior towards the environment- namely the environmental governance, in this sense this research pretends to contribute to the discussion about global environmental governance from a critical stance regarding the organizational and institutional dimensions of the aforementioned variants of capitalism with the objective of have a clear idea about what could be expected of these nation-states and the institutions which compose each one regarding environmental issues.

## CHAPTER III

### THEORETICAL OVERVIEW

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#### 3.1) Sustainable Development, what is behind the term?

The objective of this chapter is to place the research problem within a specific knowledge framework in order to provide it with a coordinated and coherent set of concepts and propositions, which will function as guide and will help to signalize the research boundaries.

In this direction the approach taken in this chapter is to present an analysis about the creation of what could be called an environmental consciousness, that later would give way to the development of the Sustainable Development. To proceed then to provide a brief historical background about the creation of the Brundtland Commission to understand, among many other things, the reasons behind the creation of the sustainable development concept; the ways in which this concept has influenced almost every area of human activities and how even as it was presented as a development which is respectful with nature, environment and future generations it shows very little relationship with such concepts.

##### 3.1.1.- The Ideological implications of the Sustainable Development

Actually, it is quite common to hear concepts such as *green business*, *eco-efficiency*, *eco-modernism*, *ecological modernization*, as well as to hear many proposals about becoming *green*, or at least *greener*. All of these concepts are considered improvements towards the ultimate global goal: the Sustainable Development, but what is defined when these two words are mentioned?

Usually the term is used, (misused and abused) towards representations of a sound development, which is respectful and in harmony with nature, all of this while also promoting economic prosperity based in very unsustainable ways of consumption. The approach taken in this chapter, is to examine the conceptual history of sustainable development, since the appearance of what could be called *environmental consciousness* to the development of the concept Sustainable Development by the Brundtland Commission and the influence that the concept has exercised in many human activities fields, taking into account the various discourses created around the Sustainable Development concept, and focusing specially in the way in which the aforementioned concept is used as an ideological assemble towards promoting ways of subsistence which cannot be considered sustainable at all.

### 3.1.1.1.- Historical Framework of the Environmental Consciousness.

In 1904 the German geographer Ernst Friedrich defined the term *Raubwirtschaft* - plunder economy, robber economy- in order to refer to the destructive exploitation of the resources in colonialized countries. In 1962 the north American biologist Rachel Carson published his book 'Silent Spring', in which she synthesized a huge amount of information about the contamination by organochloride-based plaguicides and his effects in living beings, this book fronted a huge counterattack which was organized and led by the whole chemical industry but the chemical interests had only increased the public awareness- it could be said that this book was the cause of the North American DDT ban in 1973- so with this it started to take notoriety the conception of an environmental consciousness in North America, in the framework of the Vietnam war and the huge movement against it. The upswing of this environmental consciousness had influenced in many economists which suggested the possibility of measuring the wellbeing in terms of quality of life instead of the gross product per capita, and that this should be corrected in order to take in consideration the loss of not renewable natural resources.

A derivation of the movement against the Vietnam War gave birth in 1969 to the *Union of concerned scientists*, which led one of the few actions against nuclear energy. That same year it was created the environmentalist organization Greenpeace, which headed actions against French nuclear tests and which has extended its roots to dozens of countries, and by January 2009 it counted with 2.9 millions of members.

The *Sierra Club*, founded in North America in 1892, was until 1950 a local California organization, and for the most of its existence it was in charge of the creation of national parks, it was after 1970 that it started to participate in the efforts to protect the environment and because of that it reached half a million members, a similar process experimented the *Audubon Society*, created in 1886 with the objective of preserve the wild life.

Another environmentalist organization of international scope is *Friends of the Earth*, founded in North America in 1969 and which eventually counted with 2 million of members in Great Britain.

From the seventies, many environmentalist parties started to be created in European countries as well as in Australia, New Zealand, Brazil and the USA. The most notorious (and it could be say that the most important) is the German *Green Party* – Die Grünen - based then in West Germany and which reached 8% of the votes in the German Federal Election of 1987 (Partly due to the impact of the Chernobyl disaster which happened just a year before in Ukraine, and to the growing awareness of the threat of air pollution and acid rain to German forests), it has exercised a decisive influence in Germany's Nuclear power phase-out. The North American *Citizens Party*, created in the USA in 1979 by the scientist and environmental activist Barry Commoner, reached high number of votes, more of 20% in local legislatures and municipalities. In Australia the *Australian Democrats*

a party founded in 1977 and which eventually had the 12% of the votes in 1990, gave a central role to the environmental issues without being a 'declared' ecologist party.

In 1968 Aurelio Peccei, an Italian industrialist created an informal organization called *The Club of Rome*, aimed to analyze various global issues and to this end, commissioned several studies. One of them, focused in the problematic of population, natural resources and pollution at global level, it was developed by a group headed by Jay Forrester -an MIT scientist who had developed a method for analyzing the behavior of complex systems by means of simple simulation model- he in turn assembled a team of young experts led by Dennis and Donella Meadows, they designed a computer simulation called *World3*, which included five variables: world population, industrialization, pollution, food production and resource depletion, it must be outlined that this was a Malthusian model.

The results indicated that if the tendencies such as increase of population, resource consumption and pollution continued to exist in the same scale as they were happening, a global environmental catastrophe would take place in the middle of the 21st century, because as consequence of the increase of population and the insufficient production of food, the mortality rate would increase and this in turn would cause a population decrease. That is why the authors suggested that a stationary state of population and also a stationary state of productive activities should be implemented as goal.

This group played a major role at the instauration of a global environmental consciousness and in the comprehension of the core issues that the humanity faces in our time, their great merit consists in giving equal consideration to population issues and resources - pollution issues, and also because they have showed the urgency of this problematic.

The results were published in 1972 in the book '*Limits to Growth*' which raised the attention to the Club of Rome and which has sold 12 million copies in several translations, however at the time of publication the book did not receive positive critics but just the opposite, adverse and severe criticism from political and corporate leaders who argued that the growth was a necessary step in order to abolish the poverty and that the authors from *Limits* subestimated the future technological advances, the most reiterated argument of the retractors was that the technology would have an unlimited capacity to resolve any problem of resource scarcity and of environmental pollution, with moderated costs and in relatively short frameworks of time.

The cause of these attacks lies in the teleological vision of the society. Albeit the modern economists did not affirm that the divine providence was the cause that the GDP grew in a determined percentage, there is a teleological vision which underlies in the Adam Smith's metaphor of the 'invisible hand' - according to which the sum of selfishness leads to social welfare - so, the implicit belief in the 'invisible hand', namely in the harmony between social relations and nature, is present in many of the individuals who think (naively) that more of the same - in the socioeconomic field- can only lead to more progress.



The Club of Rome represents a minority expression within the upper classes, although founded by a businessman and included business executives, the answer of both governments and business organizations was overwhelmingly contrary, it should be outlined that the position of the Club of Rome facing these attacks was quite weak.

It should be emphasized that also in 1972 took place in Stockholm the United Nations Conference on the Human Environment which pretension was to induce a process of awareness about the need of incorporate preventive and corrective ways over the environmental impacts of the productive and consumption practices inside the national development policies, so, it could be said that this conference was focused in the technical aspects of the pollution provoked by the productive and consumption practices (industrialization, population growth and urbanization), reasons which signaled a clearly First-World approach. This approach provoked a disparity of polarized arguments between northern and southern countries, and thus the final declaration included claims of many economically underdeveloped countries about racial segregation, colonial oppression, the necessary stability in the prices of raw materials and the sovereign right to exploit natural resources.

The conference promoted the creation of the United Nations Environment Programme (UNEP), to offer solutions to the accelerated destruction of natural resources and to the degradation of the environmental quality.

### **3.1.1.2.- Coining the Term: the Brundtland Report**

In 1983 Javier Pérez de Cuéllar, former General Secretary of the United Nations, based in the resolution 8 of the outcome document of the meeting no. 102 of the United Nations General Assembly, asked the Norway's Prime Minister Gro Harlem Brundtland, to create and chair an independent commission in charge of the environmental and developmental issues, the World Commission on Environment and Development. This commission published in 1987 a study, which could be considered as an answer to 'Limits of Growth' and it is probably the one who reached most impact, the report is called *Our Common Future* and it is widely known as the *Brundtland Report*.

In this report, the also known as *Brundtland Commission* found that poor distribution of resources, economic dependency on fossil fuels and overcrowding were the structural problems of the global ecological deterioration. This commission emphasized the need for a change in the political level and that Sustainable Development could be reached only with common efforts of different governments but it is affected by a fundamental omission, its neglect to discuss the possibility of a global environmental catastrophe and its flagrant lack of analysis of the historical experience of the technologies promoted by the dominant social forces, namely the production of energy based on fossil fuels, the nuclear energy and the private transport system, precisely the systems which most affect the relations between nature and humanity and the ones which defy the existence of limits and the

possibility of a global environmental catastrophe, without mentioning and underestimating the agricultural and industrial production issues.

If well the report suggests the possibility of limits, without defining them and their possible hierarchy, it proposes that their existence would be expressed in increasing costs and decreasing performance without referring to other much more serious possibilities.

The report contains valid criticism to the way in which the productive forces have been developed, but it should be outlined that it presented a very limited character in making criticism and proposals. It does not criticize the consumption and splurge patterns of a great part of the population living in developed countries, neither the relation between use of resources and quality of life. For the conventional economic theory a lower use of resources would imply a lower quality of life. But the splurge patterns which are implicit in much of the population of developed countries does not mean a good quality of life, because it could be easily argued that the quality of life doesn't mainly depends on a great availability of material goods but of the available means to satisfy the needs, (i.e. private transport system or public transport system), and of a compromise, connection and participation within a physical and social environment.

The report represented an advance regarding the traditional policies in relation with environmental pollution, which in the best of the cases limited to control measures of the emissions produced in the industrial processes, of production of energy, etc. It accepts the negative long-term effects of several technologies currently in use, in particular commercial agriculture, mineral extraction and deviation of water streams. The report refers to the technologies, which produce heat and harmful gas emissions into the atmosphere, but apparently does not clarify if it refers to the production of energy based in fossil fuels and to automotive transport. It admits that specific products have high environmental costs, such as paper, oil and aluminum, and suggests the inclusion of these costs in the prices, a solution that cannot resolve the problem because pollution would be produced, with higher costs for the consumer but not for the capitalists. It does not mention the environmental cost of energy production by traditional means. It suggests measures such as taxation for environmental damage, claim for 'not harmful for the environment' products, the introduction of environment as a factor in the economic competence and of environmental audits as a requirement to commercial loans or investments. It does not propose the drastic reduction of inputs to determined products, (i.e. the quantity of paper used for journals), but it proposes more durable goods, less waste, less raw material use, (i.e. through products that need less materials, recycling, biodegradable waste, more energetic efficiency, etc.), but besides of the issue of the physical limits of the recycling, which is the benefit of recycling with less material waste if through this the production would be increased in an unlimited way? In this sense it should be noted that not all of the materials are recoverable by recycling, and that the percentage of recovery is conditioned by thermo dynamical limits, in order to make clear this point I would like to cite the

proposed 4<sup>th</sup> law of thermodynamics by Georgescu-Roegen<sup>2</sup>, similar to the second one but applied to material instead of energy:

'...in a closed system it is impossible to completely recover the matter involved in the production of work' (as cited in: Asafu-Adjaye 2005, p24)

this means that it is impossible to get back all the dissipated matter (i.e. tires worn out by friction).

The proposal heads to a dematerialized production, namely with a very low material consumption and without waste, but the dematerialization, the reduction of waste and recycling have their limits and there lies the objection, also recycling requires energy, which in turn requires materials.

The *Brundtland Commission* did not raise the possibility that some of the objectives could be contradictory among themselves, i.e: in the case of an improved energetic efficiency in the use of fossil fuels, this could be achieved through a better combustion, reducing some pollutants such as carbon monoxide but increasing others such as nitrogen oxide, an ozone precursor.

The report defends the need of high rates of economic growth; the idea of growth as progress index, the compatibility between unlimited economic growth and environmental conditions and the capitalistic scheme of a liberal market economy, it assumes that every environmental issue could be solved between this frameworks.

The idea that growth is essential to reduce and even eliminate poverty, repeated ad nauseam by ideologists of the capitalism of the developed countries as well as by Latin-American populists and economists and political leaders, reiterated in the *Brundtland Report*, is nothing but an expression of hypocrisy, because the nature of capitalism is to reproduce and expand itself without considering consequences, and this leads only to an unequal growth which produces wealth only for a privileged sector of the society.

Besides all of these facts, the report defined what, since then, could be considered the battle horse of the *Brundtland Commission*, and thence, the one of many governments and organizations around the globe, from Greenpeace to the World Bank, ergo, the concept of Sustainable Development, defined as a development which does not affect the possibilities of future generations to subsist.

This definition is objectionable, to say it mildly, because it does not take a moment to ask if the present generation can satisfy their needs without compromising the resources which would be required by the future generations, and it is also objectionable because it doesn't suggest the issue of the tasks that the present generation, in function of a supposed satisfaction of its needs, forces the future

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<sup>2</sup> Georgescu is considered among Robert Constanza and Herman Daly, as one of the founders of the ecologic economy, which could be considered as an ecological critique to the conventional economy, it rejects the position, that the wellbeing is proportional to the economic growth, position which is still widely supported by the majority of economists.

generations to do, as it could be the case of confronting the consequences of the increase of the sea level due to the greenhouse effect. The Brundtland Report neither explain which would be the results of the proposed development, which are the needs of the actual generation and which would be the needs of the future ones, in this sense it also doesn't clarify which are the conditions where the development would jeopardize the needs of the future generations. Thus, it could be not casual, but symptomatic, that governments, which follow or permit destructive environmental policies, have not had any problem in accepting the notion of sustainable development in the anodyne way that the report presents it. It could be considered that the success of the concept of sustainable development could derive from the fact that it can be interpreted in a vast array of manners as is correctly affirmed by Philip Brey 'lack of opposition to sustainable development may be due to the vagueness of this notion' (1997), Roberto Guimarães has also expressed himself in the same direction 'it is nearly impossible to find just one social actor of importance who declares to be against it' (1994, p47).

### **3.1.1.3.- Questioning the Definition**

Luke (2005) signals that the emptiness of the sustainable development concept has clung to it from the moment of its official articulation by the World Commission of Environment and Development on the Brundtland report (1987), here, the WCED declares that 'sustainable development is development that meets the needs of the present without compromising the ability of future generations to meet their own needs'.

Under this definition of sustainable development, Luke (2005, p228) outlines some questions that were left hanging or were not even considered when defining this concept of sustainable development, like, which needs does this concept refers to? Are those needs or desires? And also, how development is understood to prevail where and for whom?

In the same line of thought, Michael Redclift (2005, p213) mentioned that "...the simplicity of this approach is deceptive, and obscures underlying complexities and contradictions" and makes a critic to the Brundtland definition, signaling that 'needs' change, so it is not probable (as the Brundtland definition implies) that the needs of the future generations would be the same as those of the present generation, and asks, if it is development or economic growth, the primary determinant of changing needs, and to what extent does our consciousness of changes in our needs or 'wants' influence how they are met?

And connected with this last question it could be formulated another one, which also was not considered by the Brundtland definition, of how needs are defined by different cultures, "...most of the consensus surrounding sustainable development has involved a syllogism: sustainable development is necessary for all of us, but it may be defined differently in terms of each and every culture." (Redclift 2005)

These unanswered questions have its base at the opening of the Rio Conference back in 1992, when governments, NGOs and business had broadly accepted the barely recognized notions of sustainability.

It is important to outline that this void would continue to be responsible for the future misunderstandings regarding sustainable development, this is a logic affirmation if we consider that until now the concept has been used (and it is still being used) within a very wide framework, and therefore it is being associated with very different issues depending on the context in which it is employed. In this direction, the sustainable developments is commonly associated with ecological and environmental considerations, in this sense it should be outlined that the political, economical and social processes which constitute it are only considered, when it is analyzed in green or academic circles. This behavior has influenced directly the perception of sustainable development, because since the term has been presented in the Brundtland Report, we have witnessed the evolvement of the term in many different directions, different ways to see the Sustainability influenced by a lot of external factors, which as result generate a lot of different approaches towards Sustainability, to be more precise I would like to cite two examples: Meanwhile Ecuador and Bolivia have developed the concept of Buen Vivir (Good living) which is based on indigenous traditions and values (although it has also received some criticism), and whose objective is the foundation of a new development model - which should be respectful with nature - and in order to guide their ways towards Buen Vivir, they have presented new constitutions based in this concept that considers itself as a new development paradigm which escapes and lies away from the Western paradigm of growth.

We can see at the other side, the Rio +20 Conference and its 'almighty' *Green Economy* concept in whose Outcome document (UN 2012) its mentioned that the green economy would help fight the poverty, but it outlines that the transition to a green economy 'may involve additional costs to their economies' (referring obviously to the dependent countries), and at the end remarks that 'the support of the international community is necessary' so it could be considered that the green economy is an instrument that legitimizes the participation of the international financial organizations on sustainable development issues, in this way, the aforementioned institutions would try to convince every possible (dependent) country to accept its loans towards overcome the structural adjustments which are implicit in a transition towards the green economy framework (more on chapter 3.2.2).

Both postures 'Buen vivir' and 'Green Economy' stand at both extremes, and though each one has been generated as a solution towards a sustainable development, these postures seem to be mutually exclusive, and of course, these are not the only two postures towards sustainable development.

What is the reason that the Sustainable Development concept has derived in so many different approaches?

It could be considered that the globalization processes could provide a right framework towards analyzing the evolving social changes in the world.

#### 3.1.1.4.- The Ideology of Capitalism and its Implications on the Perception of Sustainable Development

One of the objectives of this chapter is to demonstrate that the sustainable development is headed towards nothing different than a sustainable neoliberalism. The main objective, however, is to demonstrate that the neoliberalism hasn't succeeded just because it is an economic strategy which better serves the interests of the capitalist class (though it must be stressed that this fact has obviously contributed) but mainly because it has been promoted as an attractive economic strategy by respected, well organized and trans nationalized institutions all around the globe. (See also chapter 3.2)

The question at this point is, how took place the legitimization of such a sectional economic strategy? Looking for answers, this chapter deals with issues such as ideology and neoliberalism to then try to find the interactions between the aforementioned concepts and the concepts of institution-building and sustainable development.

In the first part the terms of Ideology and neoliberalism are analyzed in a brief theoretical and historical framework, which serves as a basis to the this chapter and the following one, which then deals in connecting the aforementioned terms with the concept of sustainable development and the hegemonic-ideological backup that the concept has received. All of these trying to contribute to the understanding of the ways in which this scheme has been constructed historically, which remains somewhat overlooked in the literature of neoliberalism and sustainable development.

##### 3.1.1.4.1. *Ideology*

According to Corominas (2001) the etimological origin of the word ideology comes from the greek εἰδωλον 'image'; which in turn comes from ἰδέα 'appearance' (often used to describe the ideal appearance of a determined object), derived from ἰδεῖν which is synonym of the latin videre; the word enjoyed a somewhat semi-polar use in the Middle Ages, judging by the fairly frequent use of it to describe rocks shaped in the form of familiar objects.

Ideology, according to Audi (1999) is a term which is usually accompanied by a derogatory connotation, it is often used to refer to opposed (or different at some degree) political views.

In the early twentieth century, Leo Strauss, the political philosopher, held the view that political philosophy had been replaced in the twentieth century by ideology.

"political philosophy has been degraded into merely another ideology"

(Emberley&Cooper 2004, pxiii). The political philosophy was the study of the nature and justification of coercive institutions; this mean that such institutions used (at least sometimes) the force or threats of force in order to control the behavior of its members. The justification for such behavior lays in the fact that the aforementioned institutions wanted to demonstrate that the authorities were entitled

to obedience; and that the correlative obedience was a duty of its members, in other words, that such institutions had legitimate authority over its members. The term ideology was used by Marx when referring to the false consciousness shared by the members of a particular social class.

It must be outlined that for Marx, the effects on natural processes (e.g., conversion of nature into objects of labor and their products into commodities, as well as the generalized exchange among these products in function of its value) are generated by the surplus-production process, which is based in the social relations of production, thereby causing a confrontation between wage labor and capital. This is why Marx did not conceive the functioning of the economy as a relation between things, but sought to account for the social structure that transforms the nature in objects of labor (in natural use values capable of being incorporated into the aforementioned surplus-production process), which is in general terms what Marx called commodity fetishism. Then it is clear, that for the capital the nature is nothing but a requirement towards the creation of surplus, in this sense, any little thing that exists in nature is prone to be turned into surplus.

Nature in the form of the means of production becomes part of the capitalist process, a mean towards surplus value production, and hence becomes alien to labor because it is employed as a mean of exploitation and extraction of surplus. Hence the human being in capitalism is not only estranged from production (because it doesn't own the products it produces), but is also estranged from nature, which serves capitalist interests: Machinery "in itself it is a victory of man over the forces of Nature, but in the hands of capital, makes man the slave of those forces" (Marx 1985, p 465) as cited in (Fuchs 2006, p22).

With commodity fetishism, Marx lays bare the ideological effect produced by the capitalist process of production, in which the reality appears as a relation between things. That is why Marx, in the Grundrisse (Marx/Engels 1983, p604-605), said:

"The coarse materialism of the economists, which deals with the social relations of production of men and the determinations that things receive as soon as they are subsumed under these relations, as if there were natural properties of the aforementioned things, is also a crude idealism, and even fetishism, because it attributes social relations to things as if they were immanent determinations to them, thus mystifying such relationships."

#### 3.1.1.4.2. *Neoliberalism*

Regarding neoliberalism, it must be outlined that the concept has become one of the most used words in politic, social and economic fields, which are trying to analyze not just the extents of the actual economic crisis but also the extent in which the social life has been submitted to the requirements of the free market. So it could be assumed that the concept represents the continuation of an economic phenomenon of remarkable historical meaning founded in an ideological construct of progress.

As ideology it is based on the denial of state interventionism, which advocates the free market and competition as the supreme criteria of economic and social organization, linked to the "consumerism" as an intrinsic element of the logic of capitalist production. (Mardones&Aguirre 1989)

Some of the main neoliberal authors such as Hayek, Friedman and Popper characterized his own position simply as liberalism, even though there are essential differences between classical liberalism and contemporary neoliberalism, for example in his conception of ethics and politics. (Vergara 1984)

The current phase of economic globalization has come to be characterized increasingly not by free competition as idealized in neoclassical theory, but by oligopolistic neoliberalism: oligopoly and protection for the strong and a socialization of their risks, market discipline for the weak." (Gill 1995a, p405)

Duménil and Levy stated that modern capitalism, or "contemporary capitalism" as they denominated it, has different periods and therefore articulates itself differently each time, being neoliberalism its latest period, so, it could be said that it is the current representation of capitalism. '...neoliberalism is a social order aimed at the generation of income for the upper income brackets, not investment in production nor, even less, social progress' (2011, p1, p22)

According to Brenner, Peck & Theodore (2011) neoliberalism has become the dominant process of regulatory restructuring, they stress the strong influence that the market exercises over this process and therefore signal that it could be denominated as 'marketization' or 'commodification', however they opted for the neoliberalization term to highlight the similarities between the prevailing patterns of regulatory restructuring after the seventies and earlier classical liberalization project, associated with the British imperialism of the late nineteenth and early twentieth century, which is where the roots of the neoliberalism came from.

Therefore they stated that neoliberalism is historically specific.

Regarding this issue, it could be helpful to cite David Harvey which in an interview explained the difference between liberalism and neoliberalism in the following way (Boulet 2013):

"...it began to crystallize in the mid-seventies and was much more centralized, to the extent that the power had shifted significantly in favor of the financial sector, which since then became the main agent (at least at some extent). That was not the case with the liberalism. In the era of liberalism it was understood that the financial sector should ease the productive activity, so its role was more that of a lubricant than an engine of the accumulation process."

From the ideological perspective it should be stressed that contemporary neoliberalism has essential differences with the classical liberalism, in this sense neoliberalism could be considered as the negation of classical liberalism because it implies a social Darwinism totally opposed to the ideals, motivations and economic and social objectives of the authors of the British political economy, such as Adam Smith, Thomas Malthus and Stuart Mill, whose liberalism included a competitive



humanist ideal consistent with the revolutionary ideals of the rising bourgeoisie and with an ethical conception which expressed the concern of the classical economists on the social problem generated by the industrial revolution.

The incomplete, discontinuous or differential character of the projects designed to enforce market rules, or its coexistence with other potentially antagonistic projects (eg, social democracy) does not provide a sufficient basis to question its neoliberalizing dimensions, therefore it could be assumed that the neoliberalism is a hybrid process.

The neoliberalism has been articulated in an irregular way in different spaces, territories and scales as result of continuous confrontations between specific neoliberalization projects and the always evolving political and institutional arrangements, therefore it could be assumed that the uneven development is not a temporary condition, product of an incomplete institutionalization of the neoliberalism but instead it is one of its constituent features.

Brenner, Peck & Theodore argue that the neoliberalism process is a tendency because its consequences have been quite enduring and affect many political-institutional levels.

State Institutions are always mediating the processes of commercialization and commodification that take place in capitalism (or the efforts to spread the "market discipline") in several policy areas of production (e.g., labor, money, social protection, education, housing, land, environment, etc.). For this reason, Brenner, Peck & Theodore (2011) conceived neoliberalization as a particular form of regulatory reorganization: it involves the rearrangement of institutionalized modes of governance which are collectively binding and, more generally, the relationship between the state and the economy in order to impose, distribute or consolidate commodified and commercialized social ways of life. That is why they denominated the neoliberalization process as a regulatory restructuring subjected to market discipline.

Following the analyses done to the constituent elements of neoliberalism, Brenner, Peck & Theodore (2011, p21) formulated the following definition:

“...the neoliberalism supposes a historically specific, hybrid and unevenly developed tendency of regulatory restructuring subjected to market discipline.”

It must be outlined a David Harvey's (2005, p3) sentence which denotes the ideological construct of the neoliberal strategy when he states that neoliberalism has become hegemonic as a mode of discourse. It has pervasive effects on ways of thought to the point where it has become incorporated into the common-sense way many of us interpret, live in, and understand the world.

Furthermore, the advocates of the neoliberal strategy now occupy positions of considerable influence in education (universities and many 'think tanks'), in the media, in corporate boardrooms and financial institutions, in key state institutions (treasury departments, central banks), and also in those international institutions such as the International Monetary Fund (IMF), the World Bank, and the World

Trade Organization (WTO) that regulate global finance and trade. (See chapter 3.2)

#### 3.1.1.4.3.- *The World After the Collapse of the Berlin Wall*

Five decades ago, based on the ideological zone-regimes created by postwar treaties, another cultural and spatial order emerged as western capitalism faced eastern communism. It must be underscored that, since the fall of the Berlin Wall, communism has crumbled as a system, and our current world is built on those ruins. Therefore, since the end of the Cold War, few places in the globe have held to traditional formulas of authority. The Cold War opened the door for further-accelerated industrial development, which has not only contributed to weakening the nation-state further, but has also given rise to further liberalization, often accompanied by privatization. Moreover, corporate capitalism is now ubiquitous, disseminating a message of ridicule of any alternative to the dominant market in the name of freedom. So-called 'liberal democracy' is spreading across the planet. It involves privatization, either eliminating unprofitable activities or generating income; it deregulates in order to foster markets; it restructures its public services in order to lower operating costs. It could, therefore, be assumed that the corporate capitalist model prioritizes market-disciplinary solutions to regulatory problems. These capitalist strategies are hidden behind democratic and technological solutions, which are often misread in triumphalist terms as the "coherent and directional history of mankind", as stated by Francis Fukuyama (1992, p89). We can observe that this notion is also demonstrated whenever a scientific issue solved through human intervention using fossil fuels or manufactured materials is conventionally viewed as a success of management and a contribution to economic good, when it could otherwise be easily considered as a hazard to sustainability. It should also be noted that this interpretation of the world has a direct relationship to the 'ideology of progress': namely, the assumption that the domination of nature through technological resources – developed, in turn, by the sciences – is the key to the well-being of humanity. This viewpoint has its roots in the 17th century and emerged with Bacon and Descartes. The idea of economic growth as the key to contentment forms part of this ideology, and it arose with Adam Smith while the accelerated growth of the industrial revolution was taking place in Great Britain. A distinctive feature of this ideology is the massive use of fossil fuels. By the beginning of the last century, the upswing of the automobile as the dominant means of transport had begun in the USA. Although only the bourgeoisie could afford them in the beginning, a variety of the changes brought on by the industrial revolution made production cheaper. This, of course, influenced the eventual prices of the cars and, in turn, made it possible for middle class families to afford this mode of transport as well. The stock market crash of 1929 also favored the abandonment of public transport, coupled with the bourgeoisie's lack of interest in it. Insofar as its use was generalized, cars were favored by the governments that invested a considerable amount of money in the construction of road infrastructure.

In this way, this process ran parallel to the decline of railways as well as to the substitution of coal with oil – both changes which favored an accelerated accumulation of capital in both the automotive and oil industries.

This also brought along with it a deterioration in the quality of life for those middle class sectors that were already in a dire situation, whereas the expansion of urban areas, particularly accompanied by the boom in single-family housing and which represented huge profits for real estate, incrementally increased commuting time to work as well as environmental pollution.

This ideology of growth, which promised an expansion of human well being, insofar as the development of productive forces that continued to grow, constituted a key element of the existing ideologies at that time. The Soviet Union and other countries of 'really existing capitalism' accepted the technological development model proposed by the governments/private sectors of the advanced capitalist countries. The propaganda of the communist parties often criticized capitalism for aspects such as racism, imperialism, and the arms race, but it did not give attention to such aforementioned issues related to quality of life.

Fukuyama's vision of accumulation without end synthesizes the direction towards which the whole planet is headed.

In this sense, much of the mainstream debate over sustainable development has ignored the cultural component, which Redclift (2005) signified as how needs are defined in different cultures. While conventional thinking considers sustainable development to be necessary for all of us, the analysis does not recognize that the concept could be defined in different ways with respect to each culture's own value system, not only in the social but also in the natural fields of thought.

Nowadays, we have an almost unified global economic system. Part of society lives in the developed world and is concerned with material wealth as its own basic need to be satisfied. It is obvious that this notion of need would differ dramatically from that of a society in a dependent country, the main goal of which is to subsist, and, therefore, its basic needs are fundamental to the needs of any living being: food and shelter.

Therefore, it is clear that societies define their 'needs' in ways that could preclude others from meeting their own, and, in the process, the long-term risks for the sustainability of other people's livelihoods could increase. However, it should be noted that the process through which some societies accrue their choices, thereby reducing those of others, is largely imperceptible to people in their daily lives. However, it is essential to understand it as a core issue for developing behavior that could be considered sustainable.

Nevertheless, by ignoring the social and cultural differences which create a multi-layered grid of needs and goals specific to each culture, and by promoting consumerism as an ideal of progress, it is habitually supposed that the different societies around the globe are all pursuing the same goals. In this way, a lot of confusion has been generated regarding the question of what is to be sustained. This question has many of approaches and, of course, many answers. It should be noted that many of these approaches and proposed solutions are mutually

exclusive, and this, in turn, makes clear the existence of absolutely contrasting subjacent paradigms of conventional behavior – paradigms that are rarely questioned.

One thing is clear at present: the satisfaction of human needs is mostly operated and performed by transnational companies concerned only with the production-consumption cycles required to supply the satiation of global demand and (if possible) with expanding the markets. This desire for expansion is a response to the continual need for growth as one of the main features of the capitalist system, because it is the only way to widen the capital accumulation process towards its valorization – the goal of which is to obtain increased levels of profit each time the cycle is fulfilled.

According to Foster (2010), capitalism can be defined as a system of unsustainable development. He explains what Marx called 'simple commodity production', an idealized economic formation—often assumed to describe the society in which we live—wherein the structure of exchange is such that a commodity embodying a certain use value is exchanged for money (acting as a mere means of exchange), which is then, in turn, exchanged for another commodity (use value) in the end. Here, the whole exchange process from beginning to end can be designated by the shorthand C-M-C. In such a process, exchange is simply a modified form of barter, with money merely facilitating the exchange. The goal of exchange is concrete use values, embodying qualitative properties. Such use values are normally consumed, thereby bringing a given exchange process to an end. Foster proceeds to make clear the point that, according to Marx, a capitalist economy, in reality, works altogether differently, with exchange taking the form of M-C-M'. Here, money capital (M) is used to purchase commodities (labor power and means of production) in order to produce a commodity that can be ultimately sold for more money, M' (i.e.  $M + \Delta m$  or surplus value). This process, once set in motion, never stops of its own accord, since it has no natural end. Rather, the surplus value (profit) is reinvested in the next round, with the objective of generating M''; in the following round, the returns are again reinvested with the goal of obtaining M''', and so on, ad infinitum.

The fact that this cycle has a direct relationship to the 'unsustainability'<sup>3</sup> of the sustainable development concept must be outlined.

It is because of this logic of permanent (and apparently unstoppable) expansion that we are now witnessing increasing problems of pollution, erosion, desertification, global warming, over-exploitation, plundering, predation, and suppression of natural and human resources. All these factors are indeed considered 'undesirable consequences' for the majority of countries on the planet and are defined as goals to be eradicated and suppressed in many international agreements, though they are simultaneously prerequisites for the proper

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<sup>3</sup> Here, the word 'unsustainability' is used to refer to the ideological construct behind 'sustainable development', considering it as a rhetorical tool rooted in the economic subsystem, the objective of which is to allow nothing other than sustainability of development.

establishment and reproduction of capitalist relations. Therefore, it could be assumed that, in the methodological adjustment of the global production processes, the concept of sustainable development has turned out to be an economic, not simply an environmental, calculation.

The above-mentioned could be helpful for understanding the ideological conception behind sustainable development, which, in this way, might (not only) preserve some fragments of nature, soothe some green consumers, or pay homage to the planet, but also enhance corporate profits, national productivity, and state power. For transnational corporations, obeying the sustainable development strategy is not a sacrifice, because it makes them apt to sustain development. In this sense, if being green, or at least greener, sells, then the rhetoric of 'sustainable development' could be used as a developmental strategy towards promoting a green commodification campaign. In so doing, through a green campaign, a marketing firm creates green advertisements and propagates them through the appropriate media, thereby creating a niche market. Then (once these new consumers have been identified), the green consumer goods can be supplied in order to fulfill their needs; it must be underscored that the fulfillment of these needs will be met by global capital.

As Baudrillard observes:

"The consumption of individuals mediates the productivity of corporate capital; it becomes a productive force required by the functioning of the system itself, by its process of reproduction and survival. In other words, there are these kinds of needs because the system of corporate production needs them. And the needs invested by the individual consumer today are just as essential to the order of production as the capital invested by the capitalist entrepreneur and the labor power invested in the wage laborer. It is all capital." (1981, p82)

The transformation of the capitalist system of production accumulation has generated a very specific kind of society and discourse, in which consumption is one of the main mechanisms of social integration (Ewen 1988). These relations of power are strategic and diffuse.

The consumers are not only a raw material to be colonized and disciplined by the social order, but also one of the resources that reaffirm it, express it, and reproduce it. "The individual is formed from a series of processes and systems which do not respond to a nature... but obey historical, political, and social conditions" (Castro 2006, p173). And in today's consumer society, green discursive practices are closely linked to the stimulation of being connected to the earth by buying some specific type of green product.

In this sense, we are cultivating the concept of consumer society, wherein needs are no longer vital, but they are instead imposed. In this vein, the needs of the individual have changed because this individual does not only have the need to eat, but (in connection with that) he also has the need to eat organic or green products. This is because the action rearranges and readjusts itself in the function of the productive system's exigencies.

"If the problem of bad equilibrium established in previous centuries was to produce enough to meet needs, the new problem consists of creating the need to consume what is produced" (Salvat 1975, p32). Using this logic, consumerism seeks to represent the postmodern form of freedom (Rojas 1992), in which the individual believes that he acts freely, but his independence often clashes with the prohibitions set for coexistence.

Luke (2005, p238) asserts additionally that the consumer is not docile, (s)he is an active, erratic, and capricious supporter of every unsustainably developed circuit of corporate globalism's power and its effects, and must be captured and convinced of the merits of each commodification campaign. In this way when a rhetoric of sustainable development takes root, consumers want to believe that buying the right stuff gets them 'reconnected' to the planet, so one must recognize how individual subjects often struggle to reposition by their possessions in the manifold agendas of a green transnational globalism.

It should be emphasized that these kinds of needs are always manipulated to reach the condition of being transcendent, showing consumption as the route towards achieving perfection, self-esteem, social success, and, lately, a definitive way to reconnect with the planet, as well as to nurture it.

Foucault states that the analysis of a discourse is the attempt to reach the network of structures that conforms to it in order to see the moment when the elements begin to unravel, to see those that are missing and present, their locations and meanings, and to seek the relationship between the subject, his/her discourse, and the larger social discourse. Thus, the work, production, and consumption put at stake a quest for the construction of a kind of subjectivity, which is increasingly individualistic. Power operates here, not only to create, monitor, and normalize a mass of workers, but also to introduce and discipline consumers. There is a 'political anatomy' that is also a 'mechanic of power' [which] defines how to take hold of the body of the other, not just for them to do what you want, but to operate as is desired and according to the determined speed and efficiency. (Foucault 1998, p141).

The sustained capacity to develop in a supposedly green way enters the battlefield at this point, when corporate ideologies of individual empowerment are reaffirmed with each act of personal-artifact appropriation as signs of, once more, backward markets attaining greater economic and social development. In this sense, the sustaining of the ability to further advance the prevailing mode of development is regarded as 'the best one can get' among the world's neoliberal programs for capitalist expansion. (Luke 2005, p234)

Following this thread, Campbell (Campbell 1996, p312) stresses that "in the battle of big public ideas, sustainability has won: the task of the coming years is simply to work out the details and to narrow the gap between theory and practice". Such reasoning only underscores how one-dimensional advanced capitalism has become.

Habermas also expressed a critique in this direction when he asked, "Can civilization afford to surrender itself entirely to the.... driving force of just one of its

subsystems – namely, the pull of a dynamic ... recursively closed economic system which can only function and remain stable by taking all relevant information, translating it into and processing it in the language of economic value?"

(Habermas 1971)

Even when sustainable development is seen as the global goal, it is also true that many of the approaches to reaching it have reconfigured the perception of reality in very intangible ways, and many of these perceptions have one thing in common: they consider things such as equality, distribution, and respect for nature simply as anachronisms opposed to the market.

A quote that helps one to understand this kind of behavior in today's global society is the following:

"The development of the economic system no longer responds to the question, what is good for Humanity? It only responds to the question, what is good for the growth of the system?" (Fromm 1976, p20).

At this point and in order to better explain the way in which the world is being 'homogenized', I think it is necessary to quote Ulrich Beck's distinctions between globalism, globality, and globalization (Beck 2000, p9-10). Globalization is a process through which sovereign national actors are undermined by transnational actors with varying prospects for power, orientation, identities, and networks. Globality, by contrast, marks the existential conditions of a world society, which are comprised of all the social relationships that are not integrated into, or determined (or determinable) by, national-state politics.

Globalism is unique, actually. It represents a rising professional-technical-intellectual worldview in which "the global market" eliminates or supplants political action. That is the ideology of neoliberalism – rule by the world market. It reduces the multidimensionality of globalization to a single economic dimension, which is itself conceived in a linear fashion.

Beck argues that globalism brings a set of beliefs and practices that suggests that states, societies, and cultures run like a capitalist enterprise; here, the ceaseless crusade for performance and profit appears to be the essence of globalization. Therefore, it could be assumed that international argumentation has ignored characteristic and particular definitions of what is sustainable in favor of the rather exclusive system of knowledge preferred by the dominant scientific paradigm.

### **3.1.1.5. Conclusions**

The main focus of this critique is to expose a conservative ideology that cloaks reality in order to inhibit the desire to change it, and, therefore, like any conservative ideology, it selectively calibrates the world according to an established power configuration, which is the one that purports to preserve and consolidate. It presents a contingent configuration of reality as indispensable and inevitable and, therefore, presents all economic, political, and social factors as

merely the results of the interrelation of dynamics inherent to technology, justified commonly as the way towards progress, veiling, of course, the fact that all these factors are actually the products of individual decisions made in terms of objectives and interests. It must be stressed that, most of the time, these objectives and interests are economic.

The dynamics of the market and the self-serving pursuit of pecuniary gain above all other considerations are exalted as the embodiment of reason and progress, considered to comprise a decisive step towards modernity, and even towards 'postmodernity', which, in many ways, signals a return to more perverse and predatory forms of capitalism.

It is clear that sustainable development assumes significance in the same moment when the centers of world power declare the shortcomings of the state as the engine of development and instead propose the market as its replacement, while also declaring shortcomings in governmental planning.

The thesis of sustainable development focuses on the policy level. It aims to regulate capital and make capital internalize social and environmental costs as is deemed most beneficial to that capital and the environment as a whole. This means sustainable development equals sustainable remuneration (i.e. sustainable capitalism).

The basis of this system is also its downfall, which Marx identified as the inherent contradiction of the system, emphasizing that the hardest phase of a crisis has always resulted in investment of capital in various ways, which, in turn, transforms this phase into a starting point for new investments. He made this statement from the point of view of society as a whole in order to signal that this act of alternative investing would be the material basis for the next cycle. This statement could be very useful for understanding the way in which the concept of sustainable development has been used since the nineties as an environmental euphemism to allow the unfolding of the neoliberal agenda, at a global scale, towards promoting sustainability of development hidden behind a promising green mask. This green mask is now deeply embedded in the logic of normalization found in global governance regulation and is compatible with the neoliberal method of production and distribution.



### **3.2) Economic Conceptualization of the Sustainable Development**

One of the objectives of this section is to show that the neoliberalism has succeeded because it has been promoted as an attractive economic strategy by respected, well organized and trans nationalized institutions all around the globe, as the advocates of the neoliberal strategy now occupy positions of considerable influence in education (universities and many 'think tanks'), in the media, in corporate boardrooms and financial institutions, in key state institutions (treasury departments, central banks), and also in those international institutions such as the International Monetary Fund (IMF), the World Bank, and the World Trade Organization (WTO) that regulate global finance and trade.

The main objective however, is to demonstrate the deep connection between the concept of sustainable development and the international financial institutions which objective is to promote the global economic growth, analyzing also the concept of green economy in order to make clear the fact that its objective rather to allow a sustainability of the environment, is to permit a sustainability of the economic growth.

#### **3.2.1. - Economy and Sustainable Development**

The past chapter of this research has presented an analysis about the creation of what could be called an environmental consciousness, that later would give way to the development of the Sustainable Development concept and how this concept has been presented and used towards promoting a kind of development which has almost nothing to do with sustainability but has a deep relation with economic growth.

One thing is clear, the globalization is a phenomenon which has economic bases - one must take a superficial look at the International Institutions which shape the global economy, the International Monetary Fund, the World Bank and the World Trade Organization to note that these Organizations are dominated by the most powerful economy in the World and therefore are permeated with the ideological construct which better serves to the interests of the USA- this economic globalization is the main responsible of natural resources exhaustion, ecosystem annihilation and uneven distribution of wealth and income in many parts of the globe.

So, under this light, a logical question would be, can the economy be seen as a tool to improve the wellbeing of the planet, and therefore as a necessary step towards sustainability?

Can the economy change its actual face and what is more important; change its behavior in order to improve ecosystems rather than destroy them?

Because that is what it needs to do if it wants to be related with Sustainable Development.

This chapter, thence, deals with the functioning of the global economic system and will help clarify its deep connection with the *greening* of the globe under the motto of 'Sustainable Development'.

### 3.2.1.1. The World after the WWII

It could be said that the origin of this economic phenomenon of globalization lays in the postwar agreements reached in 'The United Nations Monetary and Financial Conference', held from the 1st to the 22nd of July of 1944 at Bretton-Woods, New Hampshire, United States, and therefore commonly known as the Bretton Woods Conference. The objective of the aforementioned Conference was to establish the rules to regulate the international monetary and financial order after the World War II in the understanding that these agreements would promote economic growth and would be helpful towards avoid a global economic depression similar to that of 1930.

John Maynard Keynes -representing the United Kingdom and its desire for economic stability- and Harry Dexter White -representing the USA and its desire for free trade- laid the groundwork for the economic planning in the postwar period, one of the immediate objectives was the reconstruction of the war-damaged industrial nations.

Keynes had proposed the creation of a global common unit of currency called *bancor*, arguing that it was necessary as a global accepted vehicle for investment, trade, and payments in the foreseen new global economic system along with two new global institutions - a world central bank and an International Clearing Union- which would be in charge of the regulation of the international trade with strong incentives for every country in order to avoid substantial trade deficits or surpluses. As outlined by Keynes, countries with payment surpluses should increase their imports from the deficit countries and thereby create foreign trade equilibrium. (ECA 2011, p3)

Another thing that should be remarked is the fact that the Soviet Union was not part of this International Monetary Fund because they were creating an alternative economic model and that although 44 nations attended this 'United Nations Monetary and Financial Conference', the word 'international' meant Europe, When Keynes was asked, "Does this apply to India and the rest of the (British) Empire?" he replied, reflecting the colonial view, "That must wait until the reconstruction of Europe is much further advanced" (Kapur&Webb&Lewis 1997, p61) as cited in (Goldman 2005, p53)

A similar response surely was received by Victor Urquidi, a Mexican delegate who tactfully argued that Europe could not be reconstructed without the raw materials and the markets of the South: So wouldn't capital be best spent in the colonies to help reconstruct Europe? (Kapur&Webb&Lewis 1997, p69).

No matter what the 'southern' delegates argued, the delegates from the United Kingdom and the United States did not take their proposals seriously. Keynes in fact, had anticipated those kind of arguments and because of that he proposed to

Harry White a one on one meeting between the USA and the UK to negotiate every issue of the 'International' monetary and financial order without discussing with "twenty-two countries which clearly have nothing to contribute . . . " (Kapur&Webb&Lewis 1997, p69) but White and the enormous political power of the USA backing him, stated "There is nothing that will serve to drive these countries into some kind of—ism—communism or something else—faster than having inadequate capital" (Kapur&Webb&Lewis 1997, p61). So it could be said that the majority of the Third World countries had no choice but to acquiesce in the International Economic System established in the Bretton Woods agreements, thus they remained politically and economically dependent to the US and its plans, being since then hostages of a severe financial austerity regime.

Another thing that should be outlined is that White also objected the creation of the bancor, request that was granted at the conference, mainly due to the fact that the devastated Britain had no choice but to ask for aid, making the US dollar the global 'reserve currency'. In the same direction White also influenced the management system of the aforementioned organizations proposed by Keynes. So the International Monetary Fund (IMF) and the International Bank for Reconstruction and Development (IBRD, now the World Bank) were created according the North American perspective, in fact both institutions have its headquarters in Washington. Thus there were no incentives for States to avoid a large trade surplus and therefore the burden for correcting a trade imbalance would continue to fall only on the deficit countries, precisely what Keynes tried to avoid.

As the US dollar took the role of the 'global reserve currency' it took also the role that the gold standard has played before in the international financial system. (Prestowitz 2003) The US decided to set up a system of fixed exchange rates managed by these newly created international institutions to link the dollar to gold - at the rate of \$35 per ounce of gold- so any government and central bank would be able to exchange dollars for gold. In this way the dollar was the currency with the most purchasing power and the only one that was backed by gold, so it could be said that this is how the dollar became effectively the world currency.

Through that, the 'Invisible Hand' of Adam Smith turned out to be a 'tangible' hand which, since then has had special consideration with the transnational corporations, the only beneficiaries of the global economic integration agreements signed in Bretton Woods.

As Cox (1994) stated it:

"The characteristics of the globalization trend include the internationalizing of production, the new international division of labor, new migratory movements from South to North, the new competitive environment that accelerates these processes, and the internationalizing of the state...making states into agencies of the globalizing world."

In the same line, Daly (1999) expressed:

“Globalization refers to global economic integration of many formerly national economies into one global economy, mainly by free trade and free capital mobility, but also by easy or uncontrolled migration. It is the effective erasure of national boundaries for economic purposes.”

As Cox and Daly remarks, these processes help to erode the national sovereignty and therefore it could be considered that these processes also helped to develop a global economic interdependence in which the individual nation-states no longer have the faculty to regulate capital. In this context it is implicit how the political life in many parts of the globe have been configured, at least at some degree by neoliberal economic and politic principles.

“Thus this globalization phenomenon is part of a wide process of restructuration of the relation between State and civil society, and of the political economy and culture. It is also an Ideology largely consistent with the worldview and political priorities of large-scale, internationally mobile forms of capital. Politically is consistent with the outlook of affluent minorities in the OECD and in the urban elites and new middle classes in the Third World. The current phase of economic globalization has come to be characterized increasingly not by free competition as idealized in neoclassical theory, but by oligopolistic neoliberalism: oligopoly and protection for the strong and a socialization of their risks, market discipline for the weak.” (Gill 1995a, p405)

It is important also to cite Kotz (2002) at this point:

“In much of the Third World and in the transition countries, the United States has been successful in dictating neoliberal policies, acting partly through the International Monetary Fund and World Bank and partly through direct pressure.”

That could be helpful to understand why the promoters of globalization have held the global postulation that an economic growth would reduce poverty and with that objective in mind they suggested an instauration of an economic strategy which permits a rapid industrialization process of a country, such as an export-oriented Industrialization model, and towards its implementation they propose policies such as reduction of tariff barriers, a floating exchange rate (where a devaluation of national currency is often employed to facilitate exports), and government support for exporting sectors. In this economic strategy the beneficiaries are of course, the neoliberal elite in dependent countries or the transnational corporations established in these countries, which in turn only increments the economic disparity among the always-disadvantaged population and the aforementioned neoliberal elite.

This kind of industrialization also unleashes a set of processes in which energy is consumed and waste is generated, therefore it could be assumed that it is very doubtful that this development model could incidentally promote sustainability.

I would like to outline the World Bank's motto 'Working for a World Free of Poverty' and in this sense I would also remark a paragraph which was found at the webpage of the International Monetary Fund (2012) "The IMF promotes international monetary cooperation and exchange rate stability, facilitates the balanced growth of international trade, and provides resources to help members in balance of payments difficulties or to assist with poverty reduction."

If poverty reduction is supposedly the main goal of these institutions, why their neoliberal adjustment policies usually enrich the aforementioned transnational corporations?

All of these issues bring us back to analyze these institutions founded at Bretton Woods.

### **3.2.1.2.- International Monetary Fund**

As it was mentioned before, the International Monetary Fund was established at the Bretton Woods Conference in the closing stages of World War II. The participants represented the governments soon to win the war. They were concerned about the rebuilding of Europe and of the global economic system after a devastating war, the International Monetary Fund could be considered the lead institution of this Conference, and was imagined by Maynard Keynes as a cooperative fund where member states could draw upon to maintain economic activity and employment through periodic crisis. In the other hand, the US delegation, represented by Dexter White envisaged an International Monetary Fund which would be managed as a bank, and in this sense, as a bank, would work on the basis that you can borrow money if you demonstrate that you do not need it, or if this is not the case, you can borrow money only after accepting the conditions imposed by the bank, conditions that seek to ensure that the loan is repaid on time, thus, it could be considered that the primary beneficiary is the bank and not the customer. The political and military power of the US along with its concerns of inflationary pressures in the postwar economy, joined with its desire to become the World's creditor nation can be considered the causes of the instauration of this economic approach which has prevailed since the Conference, and thus, the loans are the way in which the economic crises have been handled since then. As it was signaled, a government has to agree to a set of conditions in order to borrow from the IMF. The package of conditions has varied over time, and varies to a certain extent with the particular government concerned. Usually the conditions include (Crow 2004):

- Devaluation of the currency – to make imports more expensive (to buyers within the country) and exports cheaper (to foreign buyers).
- Raising interest rates – to make loans within the country more expensive.
- Elimination of restrictions on financial markets - this opens up the national currency to financial speculation and contributes in turn to the bankruptcy of national firms.

- Reducing government spending to bring it in line with revenues. This usually means that health and education spending and employment in government must be cut. Most governments protect the other major part of spending on the military and the police. Government-funded services are also affected, thus subsidies to consumers for food or energy must also be interrupted while direct and indirect subsidies to export industries are encouraged and promoted.
- There may also be privatization of government enterprises, including water and power utilities, and state purchasing agencies.

These conditions institutionalize the neo-liberal disposition of the IMF, and are a clear example that through its conditionalities, the IMF demonstrates to be the antipode of sustainable development.

### **3.2.1.3.- World Trade Organization**

At the Bretton Woods Conference, it was recognized the need of lowering tariffs and eliminate barriers which might hinder the international trade, and towards this end they had devised an organization to complement the IMF, the International Trade Organization (ITO), though at the Conference no agreement was signed and even when the US Congress refused to ratify the ITO Charter (which was developed on Havana) arguing that such an organization would compromise the national sovereignty, it laid the foundations to the creation of an organization in charge of the governance of international trade. In this direction the World Trade Organization (WTO) originated in 1947 in 'what was initially conceived as a temporary arrangement: the General Agreement on Tariffs and Trade (GATT). This agreement committed members to reducing tariffs and other barriers to trade, and to eliminating discriminatory treatment in international commerce - the unconditional most-favored-nation treatment - requiring any privilege granted to one country to be accorded to all other contracting parties. Given the focus on inter-state bargaining and reciprocal trade openness, the GATT system of rule-making followed a diplomatic model. Agreements were to be concluded in negotiations over the reciprocal concessions each Contracting Party would take upon itself in return to concessions offered by the other Parties. The agreements, which included general obligations as well as particular assignments to specific countries, would be approved by consensus. Following the initial signing of the GATT in 1947, the Agreement was renegotiated once every few years in "rounds" of multilateral negotiations.' (Chorev&Babb 2009, p466)

In 1986 it was resumed the round of trade negotiations at Punta del Este, Uruguay, which was concluded in Marrakech in 1993, though USA President William Clinton signed the Master Agreement in 1994 and finally in 1995 the WTO was established. Unlike the GATT, the WTO was a permanent and formal organization and that brought a radical change in the governance of global trade, it has expanded the scope of its jurisdiction and hardened and enforced its rules of applicability. The US administration wanted to make it difficult for governments to

impose restrictions, such as local content requirements or technology-sharing arrangements, on American investors. It sought to create a more favorable climate for exporting American services abroad— for example, by making it more difficult for foreign governments to regulate or restrict the entry of American firms in areas such as banking, telecommunications, health care provision, and utilities. (Chorev&Babb 2009,p 470)

This organization –as it was mentioned before- is the one that seeks to obstruct the regulations that certain countries may apply to international trade and in this sense it may impose permanent sanctions against offender countries of its trade prescriptions.

### **3.2.1.4.- World Bank**

Also at Bretton Woods it was arranged the foundation of the International Bank for Reconstruction and Finance (IBRD), it should be outlined that the 'World Bank' term usually refers to the IBRD along with the International Development Association (IDA), its 'soft lending window' (Ottenhoff 2010) as both organizations share the same staff.

The objectives of the Bank were: to encourage the expansion of world trade and to finance the reconstruction of the war-devastated European continent (as its original name indicates it), but functioning always as a complement of the IMF. These ideals however, were reoriented after the implementation of the Marshall Plan. Officially known as the European Recovery Program (ERP), the Marshall Plan dispensed over \$13 billion between 1948 and 1952 to Western European countries constituted as the Organization for European Economic Cooperation (OEEC). Over 90 percent of this aid was in the form of grants. (Wood 1986, p29-30)

So it could be assumed that because of the Marshall Plan, the Bank had to reinvent itself as a bank for the non-European world, and therefore the Bank's mission shifted from reconstruction of Europe to development of Europe's remaining and former colonies.

Summarizing the history of the Bank, according to Goldman (2005, p14-17):

- The flag of development characterized the fifties and sixties and with that objective the Bank kept lending dollars (with high rates of interest) to purchase power plants, transmission grids and many other capital-intensive goods from Northern firms.
- By the seventies with the rising surplus of Eurodollars and Petrodollars coupled with a mounting US deficit and a North-American economy stuck in military expenses, Nixon decided to end the Bretton Woods System, this in turn represented the beginning of a US guided mandate to deregulate flows of international finance capital in ways that would ultimately benefit the North-American economy, Robert McNamara (former president of the Bank) took advantage of this overflow of capital and expanded its lending capacity, thence turning the institution into a global player.

- In the decade of the eighties and as overspending raised the Southern debt crisis, the IMF in conjunction with the Bank and the US treasury found themselves in need to articulate a completely new program for its lenders. The new version of the modernization model emphasized state fiscal austerity, market liberalization, and public-sector privatization for the South, the three pillars of what came to be called the "Washington Consensus". When this neoliberal development agenda took root, it was highly draconian. The countries that followed the Bank/ IMF prescriptions most closely, -often with little choice- experienced in the 1980-2000 period a sharp reversal of the economic gains of the previous two decades (1960-1980). It must be outlined that China, India, and South Korea—the countries that had rejected the strict neoliberal prescriptions of currency devaluation; elimination of trade barriers and capital regulations; state fiscal austerity; and the privatization of public goods, services, and infrastructure didn't suffered the neoliberal whiplash in the same intensity as the ones who implemented the neoliberal prescriptions.
- In the nineties, after a decade of Washington Consensus ideological dominance, the Bank hired Joseph Stiglitz as its chief economist in 1997, he promoted a post-Washington consensus which concluded that the Bank's and IMF's neoliberal orthodoxy had created a series of colossal disasters around the world, such as the collapse of the Mexican, Russian and East Asian economies and that these neoliberal prescriptions were the main responsible of the economic crisis in Latin-America and East Asia. Stiglitz argued that these particular modernization policies had become "ends in themselves, rather than means to more equitable and sustainable growth. In doing so, these policies were pushed too far, too fast, and to the exclusion of other policies that were needed." (Stiglitz 2002), as cited in (Goldman 2005, p16).
- After the year 2000 the crowd of the Post-Washington consensus has diverged in two main groups. One says that the Bank and the IMF need to set up many more safety-net and social welfare institutions to blunt the impact of neoliberal policies, in other words, that both institutions should dispense with their "shock therapy" approach to change and instead prepare countries for global integration on a more gradual schedule, with a greater sensitivity toward local differences, needs, and capabilities, fearing a world full of poverty considering it as prone to set up a revolution. The other group states that the Bank should go back to its original mission, they assume that by becoming leaner and more discerning, the Bank and IMF can return to what they imagine these institutions once were: shrewd catalysts for economic development in the third world.



### 3.2.1.5.- Bretton Woods Institutions and Sustainable Development

After this brief resume of the Bretton Woods Conference institutions it is clear that they were the main responsible for the crisis in the eighties and the nineties and thence of the economic chaos in which the world is sunken nowadays, but regarding the title of this chapter little has been said, and towards that end a question which emerges is the next. What is the relation (if any) between the Bretton Woods Institutions and the Sustainable Development?

In order to answer this question, it is necessary to go back and analyze the evolution of the aforementioned institutions and the way in which its direction has been reoriented as well as the reasons behind these reorientations.

As it was mentioned in this section, the main tasks of the early World Bank - established in Washington and run by Wall Street bankers- were, to reconstruct the old colonial infrastructure for its main clients, which were, New York and London based Banks, so it is clear that in those early times reducing poverty was never on the agenda of the Bank.

How then, the World Bank decided to direct its efforts towards 'Working for a World Free of Poverty', and what is most important, why?

In this direction I would like to cite Goldman (2005, p34) which paragraph about the Bank's ways to open up new horizons for intervention could be very helpful.

"The Bank has never had trouble raising money; its trouble has always been in lending it. To drum up continuous business in a circumspect world, the Bank depends on its capacity to generate the ideas of new global problems as well as on its own global expertise, new mechanisms for intervention as well as new reasons for countries to borrow, new development subjects and subjectivities as well as new forms of its own legitimation."

In this sense, he adds that it could be considered that the idea of fighting poverty with massive capital interventions emerged from the historical conjuncture which took place at the seventies when the U.S. hegemony besides being in a recession (grounded in the accelerated inflation produced by the Vietnam War) was being challenged by Europe, Japan, and the oil-producing OPEC nations in one side, and by revolutionary insurgent movements throughout the South, on the other side. A moment of which Robert McNamara -President of the Bank at the time- took advance of, in order to harness the large surpluses of capital in the North and the economic calamities of the South into a new development regime that helped to turn the World Bank into a global defender of the world's poor.

It must be outlined that the Bank has been backed up by the Global hegemony since its foundation, and according to Babb and Chorev (2009, p461) hegemony, in the classical Gramscian sense, is a form of domination that is maintained not simply through coercion or force, as neo-realists would argue, but also through consent, achieved by means of moral and intellectual leadership and material compromises (Gramsci 1971). For neo- Gramscian international relations scholars, a hegemonic world order relies partly on the material capabilities of a dominant state—including its military might and its economic power. They continue to explain

that hegemony also depends on dominant ideas and collective images, and on institutions, which “reflect the power relations prevailing at the point of origin and tend, at least initially, to encourage collective images consistent with these power relations” (Cox 2006, p363).

Regarding the dependence of the maintenance of hegemony through institutions, it should be noted that in the fifties and sixties, the Bank focused primarily on training small group of elites, some of whom became prime ministers, ministry heads, and senior Bank and IMF staff. So by the eighties, they had an organized and well-financed institutional architecture that was already in place, plenty of “trans-nationalized” people, norms and beliefs, as well as agencies and institutions well situated to participate, this could explain why some government agencies and civil servants can participate in a potentially lucrative neoliberal agenda even while their peers in government and society do not, and thence this fact could be considered as the reason of the quick expansion of the neoliberal economic ideology all around the world. (Goldman 2005, p32-34) In this sense, the institutions were essential for the construction and maintenance of hegemony because they help soften domination by diffusing legitimating ideas and granting concessions to subordinate forces.

However, it must be remarked that just a decade after the “McNamara revolution,” the contradictions inherent in large-scale development lending and policy making became manifest as economies crashed, and therefore the institutionalized hegemony of neoliberalism staggered because the Bank was no longer considered an expert offering technical advice at a distance, instead it became the focus of scorn, anger, and frustration.

#### **3.2.1.6. A New Cornerstone**

According to Goldman (2005, p94-98) the Bank, besides being considered blameful of reduced public spending; mass unemployment; currency collapse; rising prices for food, fuel, and other goods; and falling wages and export prices, was also seen as the main responsible for the destruction of huge wetland areas and tropical forest in Indonesia, and also the main responsible for the deforestation, river contamination and even the death of forest-dwelling indigenous people as consequence of the development of highways, dams and the implementation of industrial agriculture in regions such as Brazil, Philippines, India and Thailand. While this happened some capital-poor states were dealing with serious financial issues –which were grounded in the export-oriented Industrialization model, imposed by the Bank’s structural adjustments - the Bank lent them dollar-based capital towards the development of export quality commodities, the expected income would be used to pay back the debt and reinvest in the society - as it was presented by the Bank and thence as it was considered by the borrowing countries - however, the overabundance of the capital lent by the World Bank was focused in the production of determined

commodities – oils, grains, cotton, rubber – this in turn caused a dramatic fall in the prices of such commodities. (George&Sabelli 1994)

All of these events provoked the organization of campaigns against the negative social and environmental effects that the bank unleashed and thence people manifested its discontent in Massive protests in Thailand, Indonesia, India and Brazil. It should be outlined that the protest against the Polonoroeste Highway in Brazil even reached the US Congress, where speakers representing the indigenous groups testified the destructive effects of the project –which was presented by the World Bank as a leading example of sustainable development- this in turn originated reactions among members of the US Congress, some of them threatened with a suspension of the support to the multilateral development banks, some others became resolute to discipline the World Bank.

So, facing criticism and confronted with the social and ecological devastation - unleashed from the implementation of its projects and policies - the Bank considered the need for a reorientation in order to calm the members of the US Congress and at the same time to appease the global society, in this way the environment was introduced as the cornerstone of development.

The respectful attitude that the Bank adopted regarding the environment could be seen as a tactical movement because it is grounded in the fact that this kind of behavior would help them to gain back the confidence of the northern policy makers, in this sense, and citing Goldman (Goldman 2005, p97):

“the Bank imposed on its borrowers ‘environmental adjustment’ policies throughout the 1990s (often in concert with its fiscal structural adjustment policies), which pressed governments into creating cookie-cutter-like environmental protection agencies; redrafting forestry, land, and water laws; establishing national environmental policy and research institutes; and training a cadre of professionals to carry out environmental reforms”

Following the example of the Bank, the concern for the environment is nowadays one of the global goals, and in this sense the concept ‘sustainable development’ is applied in any imaginable way, it must be outlined that the meaning of such concept may reflect marketing or commercialization techniques which demonstrate the reasons behind it, the pursuit of an economic development at all costs and thence is a clear example of how the ‘sustainable development’ is used as a tool towards allowing the expansion of neoliberal policies sweeping through governments, especially those highly indebted to the World Bank, IMF, and private Northern banks.

It should be remarked that satisfying an IMF conditionality is typically a mandate for assistance by the World Bank and other international agencies, and as the Bank approves loans for infrastructure projects with the precondition that natural assets and resources are privatized, the beneficiaries of the Bank’s loans are not the native inhabitants but the transnational corporations which are in control of such assets and resources. In this way the control over a national economy by Bretton Woods is virtually complete.

The Bretton Woods institutions have a wholly distorted view of economic progress and relationships. Their embrace of unlimited expansion of trade and foreign investment as measures of economic progress suggests that they consider the most advanced state of development to be one in which all productive assets are owned by foreign corporations producing for export; the currency that facilitates day-to-day transactions is borrowed from foreign banks; education and health services are operated by global corporations on a for-profit, fee-for-service basis; and most that people consume is imported. When placed in such stark terms, the “neoliberal” ideology of the Bretton Woods institutions becomes obvious. It also becomes clear who such policies serve. Rather than enhance the life of people and planet, they consolidate and secure the wealth and power of a small corporate elite, the only evident beneficiaries, at the expense of humanity and nature. (Cavanagh&Mander 2002, p8)

It could be considered that these institutions set in motion what Polanyi defined as the double movement. Up to down, the promoters of economic globalization prepare everything so transnational corporations can enjoy the privileges which are denied to the people, which in turn react against the centralized movement which comes from above. The outcomes of this dispute has the potential to become the basis towards the set up of a new ‘sustainable’ paradigm, but it could also present a great opportunity for another major corporative-change-of-attitude, just as the environmental tactical movement implemented at the World Bank and IMF in the 1990s and which objective was to allow the development of economic growth hidden behind a promising green mask, as it was demonstrated throughout this chapter.

### 3.2.2.- Critique of the Green Economy

Actually, it is quite common to hear green concepts, as well as to hear many proposals about everything becoming green, these green definitions were set up considering them as an improvement for the wellbeing of the planet and the humanity and in this direction it has been introduced the concept of green economy, based in the definition of Sustainable Development presented by the Brundtland Commission back in 1987.

This section focuses on the analysis of the official documents that have included the concept of green economy towards its official presentation at the conference Rio +20. Through this analysis I want to demonstrate the connection of the concept of Sustainable Development with the one of Green Economy in order to demonstrate that both concepts have its base in the economical system in which we live and the way in which both concepts are used as ideological constructs towards the expansion of neoliberal policies.

In this sense, the main questions that this section addresses are:

- Does the concept of Sustainable Development interfere in any way with the operating system of production?
- Does the concept of Green Economy represent an alternative way of development? Does it consider development away from the western paradigm of growth? Does it represent a step forward in the consolidation of a global social equity?
- Which could be the reason behind the concept of Green Economy?

The answers will provide valuable info regarding the objective behind these both concepts, and by doing that they will be helpful to clarify the aim of the organizations that are promoting those concepts.

The analysis consists in a very brief historical framework of the most relevant conferences organized by the United Nations towards promote the Sustainable Development since the definition of the concept, to then proceed to make a critical analysis of the official documents which include the concept of green economy, focusing in the Rio+20 conference, which had one of its main objectives in the implementation of the 'green economy' as a framework towards sustainability. This has implications to understand how the sustainability is discursively formed. The article outlines omissions, limitations and contradictions in these official documents, but also remarks the way in which these documents proposed and defended issues such as economic growth or the instauration of capitalist economic schemes as the way towards the instauration of a 'respectful' development aiming to examine the discourse of sustainability from a critical perspective.

After the publication of the Brundtland report, the UN General Assembly convened in the resolution 44/228 (UN 1989) in the organization of the United Nations Conference on Environment and Development (UNCED) -the also known as the Rio Conference, or Earth Summit- to elaborate strategies and measures to halt and reverse the effects of environmental degradation. This conference was held in 1992, in Rio de Janeiro, Brazil, and congregated the state chiefs of all around the

planet. The commitments for the development of Sustainable Development Strategies following the recommendations of the program of action towards an economic competitive, social and ecological sustainable development, called agenda 21 –named after the 21<sup>st</sup> century- which was a conjunct goal of the 178 governments that voted to adopt in this World Summit signaled a key point regarding the management of environmental issues.

Continuing with this tradition the General Assembly convened in its resolution 44/190 (UN 1993) a special session on the environment (also known as "Earth Summit + 5"), which was held in New York in June of 1997, and which objective was to review and appraise the implementation of Agenda 21 and following this line the General Assembly adopted the resolution 55/199 (UN 2001) in February of 2001, convening in the organization of the World Summit on Sustainable Development (WSSD) –also known as Rio+10- a ten-year review of the progress achieved since the implementation of the agenda 21 since 1992, this World Summit was held in Johannesburg in 2002.

The most recent conference organized by the UN which has focused in Sustainable Development was convened in the resolution 64/236 (UN 2010) and it is the famous United Nations Conference on sustainable Development- better known as Rio+20- a conference which was organized with the aim of defining a global agreement to indicate that the route to sustainability for each one of the participant countries was the aforementioned Green Economy. This concept was outlined in the UNEP report titled 'Towards a green economy' which defined it as an economy that results "in improved human well-being and social equity, while significantly reduces environmental risks and scarcities" (UNEP 2011,p 16), and at the same time promotes sustainable management, it also outlines that in the context of a green economy "growth in income and employment are driven by public and private investments that reduce carbon emissions and pollution, enhance energy and resource efficiency, and prevent the loss of biodiversity and ecosystem services." (UNEP 2011, p16). This UNEP report notes that all global problems share a common starting point, which is, namely, the gross misallocation of capital: "During the last two decades, much capital was poured into property, fossil fuels and structured financial assets with embedded derivatives. However, relatively little in comparison was invested in renewable energy, energy efficiency, public transportation, sustainable agriculture, ecosystem and biodiversity protection, and land and water conservation." (UNEP 2011,p 14)

Such a promising concept is worth a close look, especially if it was presented as the main topic at a UN conference, which brought together the leaders of 140 National States, and was organized with the aim of defining a global agreement to present this concept as the way to go towards sustainability. But after giving an overview to the Zero draft of the outcome document (UN 2012b) and to the Outcome of the Conference, (UN2012a) it could be assumed that the expected outcomes of the conference are at least very contradictory among them.

The Zero draft of the outcome document mentions as key goals, issues such as: poverty eradication, food security, sound water management, universal access to

modern energy services, sustainable cities, management of oceans and improving resilience and disaster preparedness, as well as public health, human resource development and sustained and equitable growth which should generate employment even for the young people, issues which could be considered key themes within left political agendas and some of them even within left-radical political agendas.

Then the document signals that a green economy in the context of sustainable development and poverty eradication should contribute to meet these key goals in order to achieve sustainable development, which must remain as the overarching goal.

The document acknowledges green economy, as a kind of magic wand concept, which in the context of sustainable development and poverty eradication should protect and enhance the natural resource base, increase resource efficiency, promote sustainable consumption and production patterns, and move the world toward low-carbon development. So this can be considered as a main contradiction within the Sustainable Development framework, despite the allusions to issues such as poverty eradication, food security and public health contained in this Zero draft of the outcome document, such priorities are justified primarily as a means to achieve the overarching goal of Sustainable Development, which, according to the draft would be reached through an instauration of the aforementioned 'green economy'.

This document contains no analysis of capitalism and its agents, though it is referenced as 'economic development' and 'structure of the economy'. In fact the paragraph 11 even remarks that 'Unsustainable development has increased the stress on the earth's limited natural resources and on the carrying capacity of ecosystems', but does not make a reflection to ask which are the drivers of this 'Unsustainable Development', and by omitting these question it is taken for granted the economic system and its tangled structure in the same way that the Brundtland Report did it, and which could be considered is the cause of the majority of the environmental problems that we face today.

This Zero draft of the outcome document has some very interesting paragraphs, which should be examined very carefully by the rulers of the 140 countries participating in this international conference - the paragraphs 30 and 31 of the document, apart from being very contradictory; express clearly one intention that lies far away from the supposed overarching goal of reaching sustainable development, the paragraph 30 states:

"We acknowledge, however, that developing countries are facing great challenges in eradicating poverty and sustaining growth, and a transition to a green economy will require structural adjustments which may involve additional costs to their economies. In this regard, the support of the international community is necessary."

This paragraph supposedly encourages the eradication of poverty while also sustaining growth, and something that must be considered reckless, it mentions that

the green economy would help fight the poverty but it outlines that the transition to a green economy 'may involve additional costs to their (referring to the dependent countries) economies', and at the end remarks, that 'the support of the international community is necessary'

The paragraph 31, should be seen as complementary to the previous one, because it mentions:

"We note that the transformation to a green economy should be an opportunity to all countries and a threat to none. We therefore resolve that international efforts to help countries build a green economy in the context of sustainable development and poverty eradication must not:

- a) Create new trade barriers;
- b) Impose new conditionalities on aid and finance;
- c) Widen technology gaps or exacerbate technological dependence of developing countries on developed countries;
- d) Restrict the policy space for countries to pursue their own paths to sustainable development."

These both paragraphs are full of good intentions, that could not be neglected, but do they have the possibility of being realized?

At this point I would like to outline that the other main issue of the Rio+20 conference was 'Institutional Framework for sustainable development', where the 'Zero draft of the outcome document' proposed to reinforce coherence among the agencies, funds and programmes of the United Nations system, including the International Financial and Trade Institutions.

As part of this restructuration of the Institutional Framework for sustainable development, the Zero draft of the outcome document is very explicit and shows a direct relation and at the same time contradicts the paragraphs 30 and 31, with the statement contained in the paragraph 54, which says:

"We recognize that sustainable development must be given due consideration by the International Financial Institutions, especially the World Bank and the International Monetary Fund, the regional development banks, UNCTAD and the World Trade Organization in regulating global trade. In that regard, we request the international financial institutions to review their programmatic strategies to ensure the provision of better support to developing countries for the implementation of sustainable development."

In this direction and as the *Zero draft of the outcome document* also reaffirms its commitment to the Monterrey Consensus and the subsequent International Conferences on Financing for Development. I would like to cite Amartya Sen (2002, p9) who signaled 'The Monterrey Consensus cannot be faulted for not being enthusiastic about the positive role that the market mechanism can play in removing deprivations in the world. In contrast, many of the critics see Monterrey document as being far too pro-market, ignoring the downside of market relations.'



And in the same sense I would like to cite Harrigan et. Al. (1991) as cited in (Kiely 1998) which stated that 'Assessing structural adjustment policies in practice is extremely difficult. This is because there is considerable dispute over the extent to which policies have been implemented. Critical analysis of adjustment programmes has often presented them as simple impositions by the World Bank or IMF onto supposedly sovereign nation-states, when in fact they are the outcome of complex negotiations between international institutions and national governments.

Going back to the green economy concept, we can look at the Marrakech process<sup>4</sup> as example of actions taken after a UN Conference resolution towards helping governments and corporations which through sustainable development plans (national or regional) adopted greener policies and business models, in order to promote sustainable consumer lifestyles, all of this towards bringing a green global economy. (Gresh 2010)

Gresh describes some critics to the strategies that emerged from the Marrakech Process, considering that the Agenda 21 has potential for altering deeper meanings of consumer lifestyles and its relationship to the global economy. Highlighting that sustainable consumption has been narrowed into an eco-efficiency mold that privileges the use of technical fixes to help us consume more efficiently in the marketplace and that such improvements do not curb the growth in consumption but actually encourage it, which is confirmed by historical evidence that shows increases in scale have undermined eco-efficiency efforts. Eco-efficiency also hinges upon a neo-classical view of markets and the consumer, which approaches all consumption as an activity to increase the utility or well being of individual consumers.

Therefore, it is clear that this document reduces development to a simple process of policy making, and therefore it could be assumed that the main political thrust of these both documents Zero draft of the outcome document and the Outcome of the Conference, and therefore that the objective of the Rio+20 conference was to support the restructuring of a neoliberal agenda oriented towards what Joachim Hirsch has defined as 'sustainable neoliberalism' which main qualitative modification, as defined by Brenner (2000), consists in the effort to superimpose new politically mediated mechanisms of crisis-displacement upon the traditional neoliberal cocktail of unleashed markets, enhanced commodification and intensified interspatial competition.

"...can civilization afford to surrender itself entirely to the.... Driving force of just one of its subsystems – namely, the pull of a dynamic ... recursively closed, economic system which can only function and remain stable by taking all relevant information, translating it into, and processing it in, the language of economic value". (Habermas 1971) .

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<sup>4</sup>At the WSSD, the Johannesburg Plan of Implementation (JPOI) called for the creation of a ten-year framework of programs to quicken the pace of action around sustainable consumption and production patterns; the framework, adopted in 2003 in Marrakech, Morocco, became known as the Marrakech Process

So, what should be expected as outcome from the Rio+20 Conference regarding Green Economy?

It is clear that the ecological crisis has been triggered by the economic and financial crisis, so it could be assumed that the aforementioned crisis has little to do with natural issues and instead it shows a deep connection with the capital.

It is clear that the concept of Sustainable Development has been, since its foundation, directly influenced and orientated by the economic system in which we live, so therefore it should not be considered as a way towards the preservation of the planet and all the life forms inhabiting it, but as a tool towards promoting the expansion of neoliberal policies. Because such concept does not threaten or challenge in any way the structures of privilege and reproduction of capital imposed by neoliberalism, and in this way the interests of the ruling classes remain intact, so this could also be considered a reason behind the support of the majority of nation states in the world towards the concept of Sustainable Development.

It might be considered, therefore, that the reason that there is no feasible solution to the environmental degradation even after 20 years since the creation of many environmental agreements and treaties, is precisely because the concept has been used as a tool to establish or expand a market economy, as Leff clearly pointed out:

“The discourse of sustainable development seeks to inscribe environmental policies in the adjustment paths that bring neoliberal economics to the solution of environmental degradation processes and the rational use of environmental resources, while responding to the need to legitimize the market economy. These strategies of capitalization of nature have entered into the official discourse of environmental policies and their legal and regulatory instruments.”

So, after Leff's statement, this definition can also be seen from an economic viewpoint, and therefore it could be defined as the maintenance of a resources stock and of the environmental quality in order to ensure the satisfaction of the basic needs of contemporary and future generations. Thence, it could be assumed that from a pure economic perspective, what is pursued is a sustainability of development and not a sustainable development.

According to Foster (2010) (see chapter 3.1.1.4) capitalism can be defined as a *system of unsustainable development*, where the whole exchange process from beginning to end can be designated by the shorthand C-M-C. In such a process, exchange is simply a modified form of barter, with money merely facilitating exchange. The goal of exchange is concrete use values, embodying qualitative properties. Such use values are normally consumed—thereby bringing a given exchange process to an end. Foster proceeds to make clear the fact that, according to Marx, a capitalist economy, in reality, works altogether differently, with exchange taking the form of M-C-M'. Here money capital (M) is used to purchase commodities (labor power and means of production) to produce a

commodity that can be sold for more money,  $M'$  (i.e.,  $M + \Delta m$  or surplus value) at the end. This process once set in motion, never stops of its own accord, since it has no natural end. Rather, the surplus value (profit) is reinvested in the next round, with the object of generating  $M''$ ; and, in the following round, the returns are again reinvested with the goal of obtaining  $M'''$ , and so on, *ad infinitum*.

It is for this reason that many companies are now seeking to attract potential consumers with green proposals, it should be noted that this type of consumption is based on investment, and as investment is in turn the engine of capitalism, therefore and according to O'Connor (1988) consumption is not regulated in any way by consumers but by the rate of profit and accumulation and the limits of the credit system. Thus, it is obvious that nature is not governed by its own laws, but by an amalgam of interrelationships between economic and political factors as represented by the form of exchange of the type  $M-C-M'$  exposed here, which has no end in sight and which today represents one of the most important forms of social and environmental destruction and demonstrates that the ecological crisis is in fact a crisis of capital. This crisis is supported in turn by the concept called sustainable development, which, hidden behind a promising green mask, aims to support the restructuring of a neoliberal agenda.

In this sense and as Brand & Görg (2003) have signaled, governments are not acting as consequence of specific ecological problems but because of the growing political pressure to handle international environmental problems, that leads to be determined through public symbolism by social actors (the denominated epistemic communities). In past years the political need of cooperation has generated an innumerable quantity of international environmental agreements, however, this agreements (though conceived as a tool for cooperation) does not eliminate the competition between national states and between different economic sectors and regions. Rather, existing agreements end up decisively permeated by this competition, increasing proportionally the competition when some specific of the aforementioned agreements deal with complex crosscutting issues. It could be assumed that in the national and international policies towards solution of environmental issues, totally different and almost opposite interests are integrated.

### *Conclusion - Critique of the Green Economy*

In this globalized world, which is led by an economic unilateralism that result (among many other issues) in the actual North-South debates not only about trade and investment guidelines but also in sovereignty issues, could be considered that the main achievement of the Rio +20 conference, -which was the implementation of a *green economy*- is a failure because it shows a lack of commitment to social issues and demonstrates at the same time that it lacks in making a commitment towards global equity. But it is a clear demonstration that the discourse of sustainable development - in the sense that Leff has defined it- is no longer looking for, but now through the concept of green economy is achieving the insertion of environmental policies in the ways of adjustment which as consequence results in

considering a neoliberal economy model as a feasible solution to face the environmental degradation processes and the rational use of environmental resources, and through this at the same time responds to the need to legitimize the market economy.

Hence, each National State will interpret the green economy concept in the best way that it can, and it is clear that the international financial institutions would convince them of accepting their loans to overcome the structural adjustment which are implicit in a transition towards the green economy, in this sense, it is obvious that the northern countries –who nowadays are also receiving the effects of the current global financial crisis-, will push hard towards favoring its own transnationals.

Regarding this issue I would like to cite Ribeiro (2012):

“In general, these proposals of *green economy*, act as an umbrella of many technologies and proposals which are based or use biological resources, pretending to create the illusion that it would be a transition from an economy based on fossil fuels to another environment-friendly economy and that the use technologies will help to overcome any problem, without changing the causes and patterns of consumption and production. This will never happen, because those are the same global companies with the same intentions. Oil companies will not, voluntarily, cease the oil exploitation until it runs out the last straw. They will only add other energy businesses, which as matter of fact are already underway, and will charge extra carbon credits for it.”

Gresh (2010) accurately outlined that, when trying to make sustainable any form of consumption, trade relations and global empire will need to be confronted. In this sense, are the developed countries interested in financing the structural economic adjustments of the dependent countries without imposing conditionalities an aid and finance and without create new trade barriers? The Point 58 of the final document of the Conference, in its paragraph G, refers to this issue "Effectively avoid unwarranted conditionalities on official development assistance (ODA) and finance." There is no need to analyze deeply this paragraph to see the intention behind, in this way the International Financial Institutions would provide loans, with 'fair' conditions of course, as they have been applied throughout history and that only create debt-dependent countries. That is the real objective of the Green Economy.

### **3.3) Global Environmental Governance? The Role of the Nation-State in the Institutionalization of Globalization**

By analyzing the issues covered in each one of the two first sections of this chapter, it can be noted that these sections delineated an historical evolution and at the same time indicated some of the key actors inherent to the concept of global environmental governance; therefore it could be assumed that these sections delineated an articulation of that concept. In this way it was clear that the environment is often subdued and even used by the International Institutions towards unfolding neoliberal policies which in turn responds to the need to expand and legitimize the market economy, which, since the decade of the seventies, blurred the boundaries between internal and external economic development and therefore connected national economies. This kind of development has strengthened growth and competition in the developed world but in the dependent countries it was the cause of deep financial crises, which led to recessions in the directly affected national States and also had negative effects for those countries in the world trade and financial markets. See (McMichael 2007)

These financial crises reveal a "fundamental weakness in the mode of social regulation characteristic of the neoliberalism. This weakness concerns the inadequacies of financial regulation and also the chronic and now greatly exacerbated fiscal crisis of the state in which demands for ever-lower levels of taxation by the wealthy persistently undermine governmental capacities for supplying vital public goods." Allen J. Scott in (Sourel & Youn 2009, p48)

This multilateral, norm-based management of the World economy through governmental and private actors towards allowing the implementation of neoliberal policies could be defined as 'Global Economic Governance' a kind of normative-prescriptive proposal for the Political Management of the Capitalist expansion, commonly called as 'the globalization process', which in turn, affects directly the Global Environmental Governance.

But, if well, the past sections had presented an articulation of this aforementioned concept, what does the concept of Global Environmental Governance refer to? There is a significant volume of research about the aforementioned concept, and therefore there are a lot of interpretations of it, but before trying to find the definition of the whole term, it could be useful to first explore the definition of the concept of governance.

#### **3.3.1.- Governance**

Glasbergen & Driessen (2002) outlined that "The term governance represents the notion of steering, and can be seen as a shared responsibility of representatives from the state, the market and civil society dealing with societal problems."

Another definition that goes in this direction is the one of Lamy & Laidi (2002) that says: 'When talking about governance we generally accept that the state no

longer has the necessary authority or means to produce a 'political' position that adequately represents the general or collective interest'.

Bulkeley stated that the concept of governance implies a focus on 'systems of governing', means for "authoritatively allocating resources and exercising control and co-ordination", in which state actors are not necessarily the only or most significant participants. (Bulkeley 2005)

Chris Harrington et al. (2008, p200) did an interesting exercise by considering government, as 'the formal, centralized and vertical exercise of power and authority, such as through regulation or market-based instruments' to then consider governance as the opposite concept, signaling it as 'where power and authority are horizontally decentralized and devolved to broader members of society'.

For Jessop (2002b, p1) governance is defined 'as the reflexive self-organization of independent actors involved in complex relations of reciprocal interdependence, with such self-organization being based on continuing dialogue and resource-sharing to develop mutually beneficial joint projects and to manage the contradictions and dilemmas inevitably involved in such situations.'

He adds that organized in this way, the governance doesn't necessarily entails a perfect symmetry in power relations neither a complete balance in the distribution of benefits and remarks that it is highly unlikely to do so almost regardless of the object of governance or the 'stakeholders' who actually participate in the governance process. All that is involved in this preliminary definition is the commitment on the part of those involved to reflexive self-organization in the face of complex reciprocal interdependence.

Even on this minimal definition, governance can be distinguished from the 'invisible hand' of uncoordinated market exchange based on the formally rational pursuit of self-interest by isolated market agents; and from the 'iron fist' (perhaps in a 'velvet glove') of centralized, top-down imperative coordination in pursuit of substantive goals established from above.

According to Jessop (2002b), the concept of governance is mainly integrated by three aspects, explained below.

- An interest in taking the concept of governance as a response to paradigm crises in the social sciences. As the 'given' nature of national economies, national states, and national societies as units of analysis have been challenged by the dialectic of globalization-regionalization and when conventional conceptual couplets (such as market vs plan, state vs civil society, bourgeois vs citoyen) also appear less relevant (Jessop 1998). The concept of 'Governance' thus is being implemented to bridge disciplines and to provide alternative ways of understanding.
- For Transnational Corporations, the concept of 'Governance' is appealing because:
  - It offers an 'update' for the legitimacy of old practices, such as corporatist concertation.
  - Supplies solutions (although partial and provisional) to issues such as the disenchantment with the very unstable neo-liberal market forces.

- Suggests solutions to co-ordination issues in the face of an increasing complexity, such as market exchange and its increasingly tangled patterns of reciprocal interdependence.

This complexity takes form not only in the market exchange but also in economic, politic and social fields, which are influenced by the neoliberal process designated as globalization. However, this complexity denotes a sense of delay in the way in which the emerging problems are being faced, through top-down state planning or market-mediated anarchy. This kind of behavior has encouraged a displacement in the institutional 'balance' around which policy makers adopt amidst possible modes of coordination.

- Another aspect is that, at a philosophical level, the concept of 'governance' draws attention as an answer to coordination problems between private and public spheres, which is reflected in the increasing interest in modes of economic regulation through institutions that might obviate the need for state control while also guide the market, this kind of behavior could be funded in the fact that even liberal economists admit that the mechanisms of the market does not always reveal the true public or private costs and benefits of economic activities. In this way 'governance' has been presented as a main concept towards overcome the division between rule-makers and rule-followers in representative regimes and that could be the reason that the 'governance' concept has obtained connotations which could be considered as positive ones, such as 'consultation', 'negotiation', 'reflexivity' and 'dialogue' in contrast with the 'lawless' market and the 'iron fist' of a centralized state.

So, governance, could be considered as the interrelation between a wide spectrum of institutions, organizations and systems, which are autonomous among them but which are also connected through specific ways of mutual and institutionalized interdependence, this behavior could be appreciated in the way in which an institutional order interacts with the society, and the 'complexity' that this interaction unleashes, extending in turn the systemic interdependencies all along social, spatial and temporal horizons of action. This behavior could be useful also to understand how the concept of governance has gained notoriety in theoretical debates once that 'the globalization process' eroded the basis for a traditional top-down coordination under the shelter of a central coordinator at the top of any given societal formation, as the world economy is being redefined by a complex logic of globalization-regionalization under the influence of neoliberal-capitalist relations.

Jessop (1999, p2) signals that this mechanism is supposed to make it more difficult for (National) States to control their own domestic economies – let alone the global dynamic of capital accumulation. At the same time capital accumulation is said to depend on an increasing range of extra-economic factors generated on various spatial-temporal scales through other institutional orders. He continues and outlines that major changes are also occurring in the (global) political system with equally paradoxical effects. Thus, on the one hand, there is a denationalization of the state

system through the movement of state power upwards, downwards, and sideways as attempts are made by state managers to regain operational autonomy (if not formal sovereignty as such) and thereby enhance the state's own strategic capacities. On the other hand, there is a de-statization of politics (a shift from the primacy of top-down government towards more de-centered governance mechanisms) as political capacities are seen to depend on the effective coordination of interdependent forces within and beyond the state. It is in this context that governance (or 'partnership') strategies are strongly advocated as alternatives to market anarchy and organizational hierarchy in promoting economic development.

As it was indicated at the beginning of this chapter, 'the globalization process' is nothing else than a process of expansion of capitalism, which is integrated by a wide spectrum of forces operating in various scalar levels, it should be noted that these forces are complementary and at the same time antagonistic among themselves, generally speaking, it could be argued that the economic system is internally complex and flexible because of the uncoordinated and decentralized forces of the market and the role of the price mechanism as a catalyst towards allowing the distribution of capital among different economic activities. Now, being a little more specific, as capitalism evolves, different organizations and institutions tend to emerge to express different moments of its contradictions, paradoxes and dilemmas, and these interact in unstable equilibrium to compensate for market failures, so, besides the great complexity and flexibility of the capitalist economy it also has a greater capacity for perturbing other subsystems and also makes greater demands on their performance as preconditions of its own reproduction. (Jessop 2000, p331):

In this way it is clear that,

- a) Globalization enhances capital's capacity to defer and displace its internal contradictions, if not to resolve them, by increasing the scope of its operations on a global scale, by enabling it to deepen spatial and scalar divisions of labor, and by creating more opportunities for moving up, down and across scales.
- b) Globalization weakens the capacity of national states to confine capital's growth dynamic within a framework of national security (as reflected in the 'national-security state'), of national welfare (as reflected in social-democratic welfare states), or some other national matrix.

However, the preponderance of the capitalist economy at global level doesn't signify that its influence on other systems is unilateral and uniform, because in reality it is asymmetrical and variable.

The political system, which is nowadays materialized above all in the institutional structures of National States and linked to the global world through public opinion, also has important reciprocal influences on the development of the capitalist economy. Why? Because the state is the main responsible for the reproduction of



labor and also has the political responsibility for maintaining social cohesion in a socially divided, pluralistic social formation.

The capitalism as system, according to Jessop (2000, p332), is 'structurally coupled' to other systems and to the 'lifeworld'.

Regarding the structurally coupling it must be remarked that the capitalism is composed by systems such as the legal and the political one, which offer substantial extra-economic conditions for accumulation even in liberal, competitive capitalism but which despite that fact, are operationally autonomous from the capitalist market economy and have their own set of instrumental rationalities and institutional and organizational dynamics which also are integrated by other self-organizing systems with their own mutually distinctive logics, rationalities and dynamics, such as art, sport, religion, education, science and medicine, systems which constitute as well environments for the self-valorization of capital, providing markets as well as inputs.

The 'lifeworld' is composed by an interrelation of various social relations, identities, interests and values that stand outside and/or cut across specific systems rather than being anchored in them, thus, it includes social relations such as national identity, generation, gender, ethnicity, new social movements and so forth. These influences affect the economy by shaping opportunities for profit as well as influencing struggles over commodification, de-commodification and re-commodification of the wider society. This can be illustrated through such phenomena as the gendered division of labor; dual labor markets structured around generational and ethnic divisions; the development of markets oriented to the 'pink pound'; concerns about regional, urban and national competitiveness; or the impact of green movements on strategies for ecological modernization. This implies that the development of the capitalist (market) economy is closely bound up with non-economic factors and that it never follows a purely economic logic. Its development is always over determined by its coupling to other systems and the lifeworld.

From this perspective, Jessop considers that the development of the capitalist economy is embedded in a wider nexus of social relations and institutions and the lifeworld; its evolution is linked to environing, embedding institutions and the activities of wider social forces; and these institutions and forces may either help or hinder its overall reproduction, regularization and governance. Thus, accumulation regimes are usually associated with modes of regulation that regularize the extra-economic as well as the economic conditions required for their expanded reproduction and that require the cooperation of extra-economic forces.

### **3.3.2.- Institutional Behavior?**

It could be considered that the interrelation of various social relations, the "lifeworld", is composed of "actors" – be they individuals or organizations – that always act according to rules, sometimes called "institutions". These rules, which can be formal or informal, set the incentives for the actor's behavior. As such,

institutions (rules) are never neutral. Williamson (1996) categorized such institutional rules into four levels, depending on the timeframe it would take to change them (i.e. the degree of “institutionalization”). These are, namely, resource allocation and employment rules (ongoing), governance rules (1–10 years), basic institutional rules (10–100 years), and cultural rules (100–1,000 years).

“In other words, no matter how well-intentioned the actors (individuals and organizations), their behavior is always framed by more or less institutionalized rules. Changing these rules is generally beyond the power of single actors, as it requires both a long-term perspective and coordination with other actors” (Finger 2008, p35).

In past chapters, some of the conceptual frameworks that underline this approach are presented, such as an ideological analysis of sustainable development and an analysis of the economic issues behind sustainable development.

The ideology helps to present reality as indispensable and inevitable. It shows economic, social, and political facts as mere results of the interrelation of the dynamics inherent to technology, justified as the path to progress, when considering progress as the fulfillment of economic objectives and interests. Regarding the economic issues supporting the concept of sustainable development, it could be assumed that the embrace of the unlimited expansion of trade and foreign investment as measurements of economic progress, suggested by the Bretton Woods institutions, demonstrate that the aforementioned institutions consider the most advanced state of development to be one in which all productive assets are owned by foreign corporations producing goods for export. The currency that facilitates day-to-day transactions is borrowed from foreign banks, education and health services are operated by global corporations on a for-profit, fee-for-service basis, and most of what people consume is imported. When stated in such stark terms, the “neoliberal” ideology of the Bretton Woods institutions becomes obvious, and it also becomes clear whom such policies serve. Rather than enhance the lives of people and the planet, they consolidate and secure the wealth and power of a small corporate elite, the only evident beneficiaries, at the expense of humanity and nature.

### **3.3.3.- The Role of the Nation-state in the Global System**

Nowadays, nation-states are considered relevant mainly because transnational corporations, non-governmental institutions, and international organizations are dependent upon them. However, at the same time, most nation-states are no longer relevant actors (it could be said that, with the exception of US, China, and the European Union, nation-states are just one more body among transnational corporations, non-governmental organizations (NGOs), and international organizations). This section focuses on the changes that the nation-state experiences in this adaptation process and indicates what can be expected from

such “adapted” nation-states. As has already been mentioned, a nation-state is both an actor and an institution. As an institution, some key features characterize it – namely, the fact that it is built on an underlying philosophical assumption of “development as permanent military conquest”, an assumption that can also be found in international organizations. However, the nation-state is itself composed of actors and organizations, which, as such, can and do adapt to change. On a purely material level, such adaptation of nation-states takes the form of deregulation, privatization, and public sector restructuring (Finger and Allouche 2002).

Indeed, a nation-state placed in a global context comes under both financial and legitimation pressures (Finger 2002). It must adapt so as to remain perceived as a relevant actor by its citizens. Therefore, and according to Finger (2008), it privatizes, either to generate income or to get rid of unprofitable activities. It deregulates to stimulate markets and satisfy citizen-consumers, it restructures its public services to become more service-oriented and to have lower operating costs, and it develops regulations that are favorable for and even actively promote further industrial development. Most nation-states have undergone such a restructuring process since the 1990s, often to a greater extent than in the poorer or “developing” countries, because of the pressures of both the World Bank and transnational corporations (see Chapter 3.2).

For Finger (2008, p47), it is clear that the nation-state, like most other organizations and institutions, is capable of adapting to globalization, and will therefore continue to exist. The question, rather, is a philosophical one: What will such adapted nation-states look like, and how will they behave? We can already see how nation-states transform from “developmental” states, whose aim is to develop in the spirit of permanent military-style conquest, into so-called “regulatory” states (Majone 1996), whose aim is basically to control operations within their territories.

Not surprisingly, over the past 15 years, we have seen the rise and growth of national regulatory activities of an unprecedented nature. In other words, the nation-state subcontracts the lucrative parts of its operational activities to the private sector and the non-lucrative parts to the nonprofit sector, while essentially outsourcing all of its former developmental activities (including postal services, health services, educational services, and others). It limits itself to regulating operations executed by others, hoping to maintain control by way of regulation. To this end, it is becoming increasingly dependent upon the very actors (organizations) it is supposed to regulate – that is, transnational corporations.

### **3.3.4.- The Institutionalization of Globalization**

The international institutions that have emerged since World War II remain state-like or state-centric institutions and therefore perpetuate (and do not alter) the functions formerly performed by the nation-state when it comes to promoting industrial development. It is not surprising, then, that they continue to display state-

like approaches to collective problem-solving. It must be emphasized that, in the age of globalization, the state adapts by dropping its developmental ambitions and focusing primarily on law-and-order regulation that promotes development. Quite logically, we can now locate these same approaches on a supra-national level. In previous chapters, the three types of institutions that emerged after World War II, namely, the UN, the Bretton Woods organizations, and the WTO, were highlighted. Indeed, collective problem-solving at the supra-national level has been crystallized, since the 1980s, around these three types of institutions. Rather than displaying alternative approaches to collective problem-solving at the global level, both transnational corporations and global non-governmental organizations are clustered around these three institutions. Each one has a different way of examining global reality and global problems, and, therefore, each one offers a unique approach to them. The approach of each can be explained by a combination of the institution's history and original mandate (which evolved over time), its own governance structure, and especially its financing mechanisms and financial situation as outlined by Finger (2008, p48):

- The original mandate of the United Nations was: peace, human rights, and development. In order to do that, the UN set up a series of specialized agencies in different topical areas, some more geared at policy advice, others more operational. Since the end of the Cold War, the UN has been faced with ever more severe financial problems, forcing it to gradually drop its developmental function, at least at the operational level. Given the context of the Cold War, the UN was never very active on the human rights side, and is therefore mainly left today with a peacekeeping mission. However, given the UN's financial problems, peacekeeping is only possible in periods of crisis – that is, when money can be leveraged. Thus, the UN's approach to global collective problem-solving more and more clearly emerges as one of ad hoc crisis management with humanitarian arguments as the core justification of intervention.
- The original mandate of the Bretton Woods institutions was to assist the developmental agenda of the UN by providing and guaranteeing loans to countries that engaged in infrastructure projects. It must be underscored (again) that the World Bank, probably the most influential of the Bretton Woods institutions, is a commercial organization that makes profits by making loans. In addition, the Bretton Woods organizations have a different governance structure from the rest of the UN, giving power to the donors and not to the recipients of the loans. Thus, the Bretton Woods organizations can be managed much more efficiently and much more strategically. Not surprisingly, then, the Bretton Woods organizations and the World Bank in particular, have managed to take considerable advantage of the decline of the UN and have subsequently taken over the development discourse, if not the development agenda. They have done so by promoting private-sector participation in infrastructure development and by advocating public-sector reform involving substantial restructuring and privatization and, more

recently, a regulatory state serving mainly to protect investors in industrial development projects (Kessides 2004). In short, the Bretton Woods institutions now focus mainly on infrastructure development led by the private sector, with the state as a regulator and guarantor of investments and investors.

- The WTO's original mandate was to open national markets to trade, with the underlying agenda, as suggested above, being that trade leads to development and development leads to peace. The WTO has been more or less successful in doing so, depending on whose judgment one listens to. The result of the WTO's actions is indeed that markets have been opened, significantly boosting global trade and especially the growth of transnational corporations. This has proceeded to the point that pressure from the transnational corporations for further market opening has substantially declined. The WTO is therefore challenged today—by both transnational corporations and consumers—to evolve from a “market opener” into a global “market regulator”, an activity for which it has no explicit mandate. In this context, one must also mention the European Commission, which is faced with the same challenge, but at a regional level, and with an explicit mandate to perform market regulatory functions. In both cases, the institutions are evolving from a policy function to a more judicial function and approach, thus assuming ever more, on a regional or global level, the law-and-order role that nation-states had formerly played at the national level (Abbott&Snidal 2001).

It should be underscored that these institutions emerged as responses to the fact that industrial development – which was originally an impulse of and actively promoted by the nation-state – has now taken on a supra-national life of its own. Each of these types of organization is now trying both to respond to and to take advantage of this fact. In so doing, all three institutionalized global governance mechanisms actively contribute to cementing and further institutionalizing industrial development. In all likelihood, these global institutions will not solve the problems caused by industrial development, but will rather channel them in a way that they can be approached in terms of (global market) regulation (WTO, EU), crisis management (UN), or further industrial development opportunities (Bretton Woods).

### **3.3.5.- Institutional Pollution? Institutionalized Approaches to Environmental Problems**

In this section, while trying to make clear the way in which the aforementioned approaches to global governance play out in environmental issues, this paper will show how each type of global institution (given its perspectives and strategic interests) approaches environmental issues and problems. It will also outline what

can be expected from each approach, based on the analysis of global environmental issues and problems developed by Finger (2008).

As UN organizations are characterized by a lack of funds, it could be assumed that they have basically relinquished their developmental function and, therefore, that they lack relevance on the ground. UN organizations are capable of moving funds just in the case of a major crisis and only for crisis management. It follows that the UN's new focus is increasingly on "security", generally combining, or rather, confusing, human and military security. The environment constitutes another such security threat for the UN, offering justification for UN intervention, or an opportunity to prove its usefulness. Such environmental security threats may include earthquakes, floods, or famines (due to environmental causes). In all of these cases, and especially when accompanied by a major human disaster, the UN can offer its new humanitarian security approach. It then attempts to coordinate rapid intervention among its agencies, thereby involving numerous local and global non-governmental organizations to assist it on the ground. Needless to say, this ex-post crisis management approach to environmental security threats is quite the opposite of a precautionary, long-term, and future-oriented way of dealing with environmental issues and problems. However, this approach to environmental crisis management—as a response to seeing the environment as a threat to human security—is increasingly becoming what one can expect from UN institutions when it comes to environmental (and all other) matters.

Finger (2008 p51) signals that there is a second institutionalized approach to global problem-solving and that it coalesces around the Bretton Woods institutions—in particular, the World Bank—and involves most of today's relevant business actors. This includes not only the major Transnational corporations that are in direct contact with the World Bank, but also global business organizations, such as the World Business Council for Sustainable Development (WBCSD), the International Chamber of Commerce (ICC), and the World Business Forum (WBF), not to mention the major donor countries: the United States, France, Germany, and Japan. Even some UN organizations (e.g. the UN Environmental Programme and the UN Development Programme) are trying to integrate this institutional arrangement, for example, around what has come to be known as the Global Environment Facility (GEF). The main characteristic of these organizations is that they have money and clearly formulated strategic interests. Not surprisingly, the Bretton Woods institutions have assumed the UN's original development agenda and translated it into their own commercial logic. The gradual adoption and integration of the Rio process into World-Bank-led "sustainable development" may serve as a case in point. As a result, environmental issues and problems have been redefined as further opportunities for industrial development, investment, and overall economic and financial growth. As part of their new "sustainable development" agenda, the Bretton Woods Institutions now actively support investments in sustainable development, thus using environmental problem-solving as one more argument for further technological and economic development.

Here, according to Finger (2008, p51) the environment becomes not only an additional investment opportunity, but also an opportunity for transnational corporations and governments of the Global North to offset some of their environmental wrongdoings by means of investments in the Global South (e.g. pollution credits). Finally, entirely new markets and even industries are being created as a result of this market approach to solving environmental problems (for example, the pollution-rights trading industry and the certification industry). This market approach, which basically turns environmental problems into an additional opportunity for further and even accelerated industrial development, is being accompanied, actively supported, and legitimized by global environment- and development-NGOs, such as the World Conservation Union (IUCN), the World Wide Fund for Nature (WWF), or the Nature Conservancy. Finger (2008, p51) signals that it could be expected that this type of institutionalized approach to environmental issues and problems would further expand both conceptually and in practice. It has all of the major actors behind it, including the nation-states whose logic this approach matches perfectly, and it actively legitimizes the pursuit of the logic of industrial development. Again, it goes without saying that this institutionalized approach in no way solves or even addresses the underlying environmental problems caused by industrial development. Rather, it probably sustains and exacerbates these problems. In institutional terms, this approach is probably the most innovative: If the UN-led approach (above) and the WTO-led approach (below) are still mainly state-centric – that is, following government ordering (hierarchy, integration) – the World Bank-led approach is essentially hybrid in nature, combining public, private, and third-sector actors into quite innovative governance networks. From a new institutional economics point of view, such hybrids, in the age of globalization, are probably much more effective in promoting industrial development than government ordering (which was probably the more effective way of promoting industrial development immediately after the Industrial Revolution). Finger (2008, p52) signals that the question remains, as to whether such hybrids would also be effective governance mechanisms to address the consequences of industrial development.

The third institutional approach coalesces around the World Trade Organization and related organizations. Grounded in the GATT, the role of the WTO has been to open up markets for competition, a process that has accelerated substantially because of the end of the Cold War. Increasingly, therefore, there is a call—both by critics of further liberalization and by transnational corporations that have basically already achieved their goals—to re-regulate such deregulated global markets. In this effort, and because it lacks an explicit mandate in this matter, the WTO has to turn to other organizations, and thus also evolves, in new institutional economics terms, from government ordering (hierarchy, integration) to hybrids (networks). Again, the environment appears to be a major opportunity for such re-regulation, which otherwise is hard to justify on neo-liberal ideological grounds (Finger&Tamietti 1999).

The underlying objective of such environmental re-regulation is only accessorially environmental protection; the often unacknowledged objective is to cement the market power of those transnational corporations that have already been able to take advantage of global market opening, so as to prevent other firms, especially those of developing countries, from entering these global markets, and of course to increase the power of the WTO and related organizations. Many non-governmental organizations are also able to take advantage of this evolution towards (privately led) global regulatory environmentalism, such as the WWF. In other words, this third institutionalized approach to the environment fits perfectly into the previously identified trend of a regulatory state and new global regulatory institutions, as regulation is a means for nation-states and state-like institutions to adapt to globalization by keeping some power (e.g. enforcement of regulations). Therefore, it is clear that such (environmental and other) regulations do not have environmental protection as their main objective, but rather are the expression of lobbying efforts by actors who can derive competitive advantages from such regulation.

Obviously, the three approaches obey and proceed from three totally different institutional logics—environmental security and corresponding crisis management, development opportunities and the corresponding rhetoric of “sustainable development”, and market regulation and corresponding environmental regulations. Thus, the environment is now simultaneously a security threat, a development opportunity, and a case for re-regulation. Following the organizational and institutional framework, the environment has now become an opportunity for UN organizations to justify their existence, for the World Bank and related organizations to further promote industrial development, and for national, regional, and global regulators and firms to establish their (market and political) power. In other words, today, there is no coherent institutional approach to addressing the global environmental problems that stem from the pursuit of industrial development. Instead, all three approaches are complementary, in that they all create new opportunities for further industrial development. The environmental regulation approach is complementary inasmuch as it offers market-regulatory solutions to those environmental problems that clearly result from an over-free market (e.g. CO<sub>2</sub> emissions). The environmental security approach is complementary to the extent that it helps to give the illusion that, through crisis management, the worst effects of global environmental degradation can be mitigated.

Finger identified these three now globally institutionalized approaches to environmental issues and problems, and with these it became clear the types of action towards which they are likely to lead. Indeed, these institutions are likely to promote and fund either purely technical and technocratic approaches to environmental issues and problems (e.g. regulatory approach, crisis management approach) or financial and economic approaches. For Finger, this also means that environmental issues and problems that cannot be addressed by either of these approaches will fall in between the cracks and will simply not be addressed. This is



the case for global environmental problems of a systemic nature, namely those that stem directly from the pursuit of industrial development, such as resource depletion, global warming, the destruction of local livelihoods, degradation of biodiversity, and more. Similarly, environmental issues and problems that do not have the support of the nation-state as the relevant institutional entity will also fall through the cracks. These are typically problems that are either not limited to national boundaries (e.g. consumption, loss of cultural diversity) or are so-called “global common problems” (e.g. ocean fisheries). As a matter of fact, most of today’s global environmental problems of systemic proportion fall precisely in between these institutional cracks and are therefore likely to not be addressed.

Finger (2008, p54) also outlines that, in institutional terms, one can clearly observe an evolution from (state-centric) integrated and hierarchical approaches to hybrid approaches, parallel to globalization. However, at least at the global level, these hybrid forms of governance are shaped by the main global actors—namely, nation-states, transnational corporations, and inter-national organizations—whose strategic interests coalesce around the pursuit of further industrial development. This, in turn, raises the question of whether and how the global environmental crisis can indeed be addressed by such hybrid forms of global governance at all.

Finger signals that the currently dominant institutional approaches to environmental (and all other forms of) global governance are clearly inadequate and unsustainable. First, they are inadequate and unsustainable in and of themselves, as neither a security-oriented nor a developmental nor a regulatory approach alone will contribute to solving environmental problems. Secondly, they are also unsustainable in combination, as the regulatory and security approaches merely comprise a legitimization of further industrial development, rather than an alternative to it. In other words, the currently institutionalized approaches to global environmental problem-solving will not contribute to addressing the ever more pressing issues of the degradation of life support systems.

### **3.3.6.- Conclusions**

This chapter has been based in the underlying institutional arrangements (identified by Finger), that command, among other things, the ways in which global environmental problems are, and will continue to be, “addressed”. It shows that there are three such co-existing and complementary institutional arrangements, each rooted in the militaristic-developmental nature of the nation-state, which aims at, above all else, conquest, expansion, and control. Therefore, not surprisingly, the examination of all three institutional arrangements is inadequate for understanding, let alone addressing, the dynamics of industrial development. Worse, they actually contribute to legitimizing and furthering such unsustainable industrial development.

In short, this new global institutional framework builds on the nation-state logic of militaristic industrial development, yet now instrumentalizes the nation-state by means of more hybrid forms of governance.

In other words, in the age of globalization, the nation-state, in combination with the still quite state-centric yet more hybrid supra-national institutions, are no alternative to this institutionalized logic; they are rather a supporting and accompanying factor. In this way, Finger and Finger (2003) have used the concept of “institutional pollution” to highlight the fact that institutions can be as destructive and detrimental to the planet as industrial development and pollution itself.

### **3.4) Final Considerations**

The objective of this brief theoretical framework is to define the ideological construct behind the concept of sustainable development, to demonstrate the ways in which the preservation of the environment is now considered a global goal and to expose the mechanisms behind concepts such as “sustainable development” and “green economy”, as well as to make evident the fact that so-called “global environmental governance” is nothing more than the institutionalization of biased approaches whose objective is to foster development opportunities through the rhetoric of sustainable development while they seek to regulate markets through those very environmental regulations. Also highlighted is the way in which the environment is being adapted to the needs of new global institutions, and not the other way around – a consequence of which is that environmental problems are being redefined either as development problems, problems of crisis management, or problems of state-centric regulation. Moreover, outlined is the non-neutrality of the currently dominant actors (namely, nation-states and global governance institutions) when it comes to addressing the current global environmental crisis. It is clear that the interactions between these issues are implicated in the generation of an environmental governance framework.

This theoretical framework was developed trying to establish objective criteria. As the research deals with two nation-states that exemplify different capitalist schemes, these criteria serve as a basis for the comparison of the possible differences between the overarching frameworks of the two aforementioned nation-states. This section is meant to act as a preface for what can be expected of nations and institutions regarding environmental issues and the way in which both actors (nations and institutions) are dealing with the current (and ever accelerating) environmental crisis.

## CHAPTER IV

### ENVIRONMENTAL GOVERNANCE IN EUROPE: A BRIEF ANALYSIS

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Issues related to concepts such as ideology, economics, globalization, and development are discussed in the previous chapters to understand the way in which capital and the desire for its continued growth have given way to the creation of concepts that are used to legitimize the perpetuation of certain modes of production at the expense of the environment.

I would like to cite Hobsbawm, who said that things "can only be understood as part of a particular historical context". In this sense, all the analysis completed in the first part of this research was done to establish the ideological, economic, and political contexts of the research. This research aims to evaluate two countries that operate under two different capitalist schemes with the goal of understanding the way in which the overall governance structure of each country may represent a crucial pressure. This pressure, in turn, can affect and/or alter the objectives of the respective national sustainable development strategies, and the way in which these strategies (through the aforementioned governmental interference, subsequently subjected to the laws of the market) may fail in their pursuit of "pure" environmental objectives, serving instead as a strategy for economic development disguised as official documents of environmental regulation.

Before even starting to analyze the selected nation-states, it is necessary to take a deeper look into the way in which the environment is being managed nowadays. This, of course, leads us to analyze the development of a system that is in charge of coping with environmental issues, a system that goes beyond issues of legislation and that, through institutionalization, takes for granted the policy principles, rules, conventions, norms, and practices that jointly delineate a framework within which interested actors may function. In other words, this is an effort to find out what the process is that gave way to the development of environmental governance as a system. When talking about this system of environmental governance, it is assumed that nation-states have ceded, at least to a certain extent, their sovereignty concerning issues of vital importance for their citizens, as it institutionalizes not only rule-making, but also the rules for making rules. Therefore, this chapter may provide a brief introduction to understanding that process by analyzing the policies, institutions, objectives, and actors involved, first at a global level and then focusing on the European continent. Also necessary to be stressed is the fact that the presently dominant socio-economic order of the planet – namely, capitalism – had a rather uncertain future after the collapse of liberal Europe in 1914, the October Revolution in 1917, and the global financial crisis in 1929. We should also include the interwar period, regarding which it must be stressed that Hobsbawm (1995, p144) defined World War II as an "international ideological

civil war” in which, beyond a confrontation between states and armies, there was an affray of ideologies, worldviews, and cultural models. It should also be noted that the agreements made at the end of the World War II (see Chapter 3.2) drove and ensured the development of capitalism, which, in the long run, led to the overthrow of its main opponent in 1991.

Moreover, in his work “The Age of Extremes”, Hobsbawm mentioned that Soviet socialism was awful but believed that there was no other alternative. He made the point that the tragedy of the October Revolution lied in the fact that the revolution was unable to produce anything other than an authoritarian, relentless, and brutal form of socialism. Following Hobsbawm’s line of thought (although the failure of socialism is wrapped in his premise), it still served a necessary function because its vocation was sacrificial. It forced a transformation of capitalism, since one cannot at all be sure, in the absence of the challenge posed by the USSR, that capitalism would have ever experienced the New Deal or the welfare state, nor that liberalism would have finally accepted universal suffrage and democracy.

#### **4.1.- Capitalism and Democracy**

Regarding the concept of democracy, a fact that should be remarked upon is that the capitalist system captures strong support in nation-states that are ruled by democratic governments. With this form of government, it is assumed that the citizens are asked about their preferences concerning how public resources are handled.

At this point, and considering the link between capitalism and democracy, a meaningful question would be:

Is it possible for a government to control a capitalist economy?

Is it possible to conduct the economy while going against the particular interests of those who have the control of the productive wealth?

According to Przeworsky and Wallerstein, “The capitalist economy (...) generates a number of effects that are experienced as profound deprivation by large segments of society. The market does not assure the material security of anyone who does not own wealth and is not able to earn a living. The market generates drastic inequalities, including inequality of opportunity” (2008, p78).

Significantly, within a capitalist system, a large number of resources are privately owned, and, as the word itself signals, those resources are therefore defined as *private*. Hence, questions around the way in which those resources should be handled remain a private privilege.

The central thesis of Marxist political theory is that, under capitalism, all governments should respect and protect the fundamental rights of those who own the productive wealth of society. Thence, capitalists are endowed with a power that no formal institutions can overcome – namely, public power. People may have political rights, they may vote, and governments may pursue popular mandates. However, the actual capacity of a government to achieve determined goals is limited by the public power of capital. It is claimed that the nature of the political

forces that come into office does not change these limits, for the limits are structural, i.e. a feature of the system, not that of the occupants of governmental positions nor of the winners of elections (Przeworski&Wallerstein 2008, p58). Some of the theories that explain the reasons why, in a capitalist society, governments act in the interest of capital reside in Milliband's (1969) explanation, in which state managers internalize the goals of capitalists and use the state as an instrument on their behalf. Offe's (1975) explanation emphasizes the generic structural and functional limitations: Under capitalism, the state cannot organize production or command consumption, because these are prerogatives reserved to owners of private property. Przeworski's (2008) explanation claims that it does not matter who the state managers are, what they want, or whom they represent, nor does it matter how the state is organized or what it is legally able or unable to do. Capitalists do not even have to organize and act collectively: It suffices that they blindly pursue narrow, private self-interest to sharply restrict the options of governments.

At this point, it is essential to emphasize the way in which the development of capitalism and, therefore, the organization of the economic system upon it, evidences the progressive predominance of the market over other institutions. In fact, as capitalist laws permeate broad areas of social life and often supplant the norms produced by the state and the community, the market, which is also the ruling mechanism for the regulation of economic activity, is often regarded as an institution itself (Regini 1995, p1).

Some notable social scientists have established their discourses around this vision of the market. Weber attributed great importance to the principle of rationality, which originated from the necessity for estimation and standardization imposed by the market, and which also came to dominate social life and the political system by embodying itself in the bureaucracy. Durkheim signaled that the collapse of so-called "mechanical solidarity" and the rise of "organic solidarity" was based on the division of labor, and thus on exchange – the predominant criterion for the allocation of resources in the market. Marx underscored the fact that capitalism reduced relationships between individuals to concise market relationships and labor to a commodity, all of which was reduced to a "labor force" that was in demand and supplied a market, the labor market (Regini 1995, p12).

Even when this is an evident phenomenon, it is not often regarded as the growth of capitalism, but rather as a penetration of the market, and therefore of the principles of competition and exchange on which it is based, wherein the pecuniary gain is exalted above all other considerations as the embodiment of reason and progress. It should be noted that this kind of behavior represents a decisive step towards modernity, and even towards "postmodernity", which, in many ways, signals a return to more perverse and predatory forms of capitalism.

Hence, it should be no surprise that, based on these principles, environmental concerns have been incorporated into the logistics of the market, because they have proven to be a great instrument towards market expansion.

## 4.2.- Global Environmental Governance

As was outlined before in this research, the global discourse on the environment configures, and is configured by, institutions and policies at every scale. In this manner, and with the political economic context of neoliberalism as a framework, the privatization of state roles and the financialization of global markets have provoked a rearrangement of power relationships among state, market, and civil society groups. Therefore, global environmental governance is being shaped not only by nation-states (subjected to the power of capital), but also by (biased) international institutions, transnational corporations, and civil society.

This is the reason why it is important to present, at least to some extent, an analysis of international institutions and the way in which they exercise influence over the “environmental discourse” (see Chapter 3.2), as well as an analysis of the role of nation-states in the institutionalization of globalization (see Chapter 3.3). As can be seen in the aforementioned chapters, it is clear that institutions have performed a significant role in the construction and maintenance of hegemony, because, by diffusing legitimating ideas while granting concessions to subordinate forces, they have greatly contributed to softening the effects of neoliberal domination.

### 4.2.1.- The Institutionalization of Environmental Policy

If we take a look at the environmental policy measures legislated by the European Union, it can be noted that most of them take the form of directives that member states are required to implement (i.e. water pollution directives that specify standards for drinking water). However, implementing standards is not the only concern of the European Union; it is also implicated in the creation of processes for the setting of such standards. One of the functions of the European Union is to harmonize the stances of its many members regarding environmental issues. As this harmonization involves consensus-building towards the way in which international treaties are considered, it could be assumed that the European Union plays an essential role in the context of international environmental policy.

Nonetheless, how did the European Union attain this role? The boom in environmental issues that hit the developed world in the late 1960s and early 1970s led to the founding of organizations such as the WWF and Greenpeace and the publication of books such as Rachel Carson’s *Silent Spring*, Paul Ehrlich’s *The Population Bomb*, Dennis and Donella Meadows’ *Limit to Growth*, and Ernst Friedrich Schumacher’s *Small Is Beautiful: Economics As If People Mattered*. It can be assumed that this boom had its effects on the European Union’s policy – in particular, because all the concerns among policy-makers regarding environmental protection gave rise to the organization of the United Nations Conference on the Human Environment in Stockholm in 1972 (see Chapter 3.1.1).

It should be stressed that, in the 1970s, the oil prices gave way to a recession, and this event caused a decrease in attention towards environmental policy-making, not only in the European Union, but also in the member nation-states. However, new

environmental issues, such as concerns about global climate change and the depletion of the ozone layer, helped to regain this loss of attention in the late seventies.

At this point, now arguably well under the influence of certain member states, the European Union began to develop directives to tackle the new problems mentioned above. In 1982, Germany, which before had been skeptical about acidification issues, started to take measures in order to overcome such problems, and it could be therefore assumed that, with regard to environmental issues, Germany underwent a "conversion". From then until 1992, environment-related issues were the focus of much deliberation, discussion, and decision-making (Weale et. al. 2000, p3).

Weale also states that, as happened in the 1970s, the recession in the 1990s slowed down political interest in environmental issues. Nevertheless, by the end of that decade, the European Union was implementing monitoring on issues such as water and air pollution while also seeking a central position regarding climate change issues in international forums.

Nowadays, environmental issues spill over into industrial policy, transport policy, regional policy, agricultural policy, tax policy, etc. Actors responsible for policy-making in these areas increasingly have to take environmental considerations into account when drafting legislation. Indeed, it has been argued that, with the requirement in the Single European Act that environmental protection is to be a component of other EU policies, environmental policy has been accorded a unique status so that it has come to constitute a front-ranking objective of the European Union. Hence, according to Weale, the European Union's environmental policy has been developed in substance and institutionalized in process, both in terms of the emergence and growth of the structures of environmental governance at the European Union level, and in terms of the rules and processes underpinning this operation. Furthermore, the evolution of the policy has had an effect on the pattern of rule-making authority with the European Union. To understand this point, it would be useful to consider Hart's differentiation between primary and second rules. According to Hart (1997, Chapter 5), a primary rule imposes duties, while a secondary rule confers public and private powers. Primary rules apply to actions that involve movement or change in the physical world. Secondary rules apply to operations that apply to both movement and change and the creation and variation of duties and obligations. Concerning the way in which rule-making is carried out in the European Union, Weale states that a primary rule defines the policies that are decided, whether these are rules about air pollution standards, water emission limit values, or the designation of sites of biological and ecological importance. A secondary rule, by contrast, is a rule about rules; it defines how the primary rules are made and how they may be changed, and they concern such matters as whether a measure is to be taken by qualified majority voting or unanimity in the Council of Ministers, whether a matter falls within the co-decision procedures for the European Parliament, or indeed whether a rule can be made at all.

Weale also outlined that early policy developments were not based on formal secondary rules empowering environmental policies, because environmental responsibilities did not find a place within the Treaty of Rome. Therefore, the earliest developments took place under a convention that was agreed upon by the heads of state as having significance enough for European citizens as to warrant action at the European level. Subsequently, secondary rules were generally formulated during the process of treaty change. Such treaty changes have been crucial to the evolution of environmental policy and to the emergence of the existing system of environmental governance in the European Union. It is important to highlight that, since 1973 (the year in which the first Environmental Action Program of the Community was approved), the European Union has had its own environmental policy (in the Treaty of Rome, no environmental concerns were considered, hence no environmental measures were proposed). Since then, an extensive set of directives has been developed in an attempt to cope with a wide spectrum of environmental issues, giving way to occasional confrontations between member states (Hildebrand 1992). However, this legal situation was suddenly transformed in 1987 when the Single European Act went into force.

This Single European Act (EU 1987) was a revision of the Treaty of Rome (published in 1957). It could be considered the keystone of European Integration in the 1980s, as it was based on the assumption that a Europe without barriers to trade would be more efficient and more competitive, especially against consolidated industries such as those in the US and Japan, as well as the then developing industries in the Far East. However, the conjunction of political forces that combined a set of global, European, and domestic goals resulted in different positions regarding European integration and what this integration would bring with it. Great Britain sought after the extension of a free trade area that would function to enlarge the country's home-grown government program of liberalization abroad. France, led by Mitterrand, tried to establish a framework in which policies of economic renewal could be pursued without incurring the problems that redistributive Keynesianism had produced between 1981 and 1982 (Hall 1986). Germany encouraged European integration for security and economic reasons, while the southern European countries backed up the idea of integration because it would grant them access to the structural funds of the European Union, and so on. This Single European Act incorporated an environmental competence into the aforementioned treaty, allowing environmental measures to be adopted via anonymous agreement. It could be assumed that the act was conceived with the objective of establishing the institutional preconditions for the completion of the internal market, authorizing qualified majority voting in the Council of Ministers on environmental matters, and hence granting the European Union the authority to carry out environmental policy and thereby empowering the European Parliament. As a result of the changes introduced by the Single European Act, it is important to stress that Article 100A explicitly names the environment as an area with regard to which harmonization legislation could be introduced by adjusting the national regulatory systems in preparation for the start of the internal market.



Thereafter, the Maastricht Treaty – effective since November 1993 – extended qualified majority voting to most environmental matters and introduced the co-decision procedure, giving the Parliament even greater scope to influence policy outcomes. Significantly, this treaty added the notion of “sustainability” to the main objectives of the European Community in the form of “sustainable growth”, a model for which the demands of the environment and economy are to be kept in harmony with one another. This treaty also amended Article 2, which stated that one of the key goals of the treaty was the promotion of “continuous and balanced expansion”. After Maastricht, it was to refer to the need for “harmonious and balanced development of economic activities, sustainable and non-inflationary growth respecting the environment”.

The treaty of Amsterdam, in force since May 1999, made the co-decision procedure the norm (disregarding the cooperation procedure) and introduced the idea of sustainable development as a principle of European Union policy, with the requirement that it can be integrated with other policies.

The Treaty of Lisbon, effective since December 2009, significantly extends the use of the co-decision procedure and provides for an extension of qualified majority voting in the Council of the European Union. However, this system of voting will only enter into force in November 2014.

In sum, according to Weale et. al. (2000), it could be assumed that not only is legislative and policy development extensive in the field of European environmental policy, but this development has also been accompanied by the institutionalization of environmental protection in the decision-making processes of the European Union. Since 1972, the number of primary rules in the field of environmental policy has been expanded, and a complete set of secondary rules has been transformed. If the objective is to understand the characteristics that define European environmental governance, an analysis of the nature of the rules could be helpful for understanding the co-evolution of primary and secondary rules, as well as provide an overview of the institutional context where this co-evolution has been taking place.

It is clear that environmental governance is an ever-evolving system, and, thus, it could be assumed that it will never be complete. It is multi-level, because important decisions are made at different tiers of authority (the European Union level, the national level, the sub-national level), and, in order to understand what happens at a specific level, it is necessary to know and understand the interrelationships at play between a certain level and the other levels. Regarding this level structure, the horizontal complexity found in this governance structure should also be underscored, because, at each of the aforementioned levels, there are many actors involved in decision-making. Environmental governance is also defined as a system because there is a set of rules, conventions, norms, and practices in the making of international environmental policy in Europe that goes beyond international diplomacy (treaty-making) and cooperation (regime formation). This kind of international process of decision-making is therefore institutionalized in a system identified by Wallace (1996) as a “government without statehood”. Moreover,

precisely this notion of government without statehood is a clear definition of the concept of "governance". In this way, environmental governance is just a form of government in the field of environmental policy (Weale et. al. 2000, p6).

#### **4.2.2.- The Internal Market As the Political Objective of Environmental Discourse in the European Union**

In Chapter 3.2, it was demonstrated that the objective of international financial institutions is to promote global economic growth, and it follows that that could be the reason behind the support that these institutions offer to concepts such as "the green economy". Through this, the connection between international financial institutions and the concept of sustainable development becomes even more evident, as it has been made clear that, in purely economic terms, what is being sought is the sustainability of development.

As was shown in Chapter 3.1.1.4 ("The Ideology of Capitalism and Its Implications for the Perception of Sustainable Development), one of the ruling assumptions of this ideology is that environmental protection should be seen not as being in competition with economic growth and development, but instead as an essential precondition for such growth and development. Moreover, according to Weale and Williams (1992, p47), "community policy-makers have been among the main contributors to the development of the ideology of ecological modernization".

As Albert Weale has pointed out, with its re-conceptualization of the relationship between the economy and the environment, the ideology of ecological modernization marks "a decisive break" with the assumptions of the first wave of environmental policy (Weale 1993, p207). Instead of being seen as a burden to the economy, environmental protection is now considered to be a potential source of future growth. If a country intends to acquire or maintain a secure position in the international marketplace, it will require the technical and production capability to respond to the increasing demand for environmental quality by producing low-pollution goods and pollution-control technology. Such a capacity has become necessary because, in the emerging global markets, the country with the most stringent pollution-control standards will determine standards of product acceptability more and more.

"The future development of a post-industrial economy will depend upon [a country's] ability to produce high value, high quality products with stringent environmental standards enforced" (Weale 1992, p77).

So, what is the relationship between the economy and the environment in the European Union?

A brief analysis of this relationship would provide a much clearer panorama and, therefore, could be seen as a necessary step before making the transnational comparison, which is the main objective of this chapter.

Following Weale et. al. (2000), it could be argued that the place of environmental policy in the process of European integration was simply ensured by the emergence throughout the 1980s and 1990s of many of the pollution problems that undoubtedly had a clear trans-boundary character. Therefore, it could be considered obvious, to some extent, that the European Union had developed the capacity to deal with such problems. In fact, it has been argued that the European Union had developed as an international resource regime in order to deal with such problems. Weale (2000, p29) again, signals that there are certain factors that lead to believe that the evolution of environmental policy in the European Union has not followed a logic of regime development. He bases this reasoning on the following statements:

- The form and manner in which EU environmental policy evolved was conditioned by the use of economic means to achieve political ends. Meaning that the European Union was not concerned exclusively with cross-boundary pollution flows, but also had to deal with the consequences for the internal market of environmental regulation. Thence, the involvement of the European Union in environmental policy was not a problem or issue-specific in the way that is typical of international resource regimes (i.e. the Rhine Commission, the International Arctic Committee), but rather, it entailed issues of market regulation in a wider sense.
- An extensive number of the environmental issues which are considered top priority in European Union policy do not always have a cross-boundary character. Indeed, the European Union has provided a set of political institutions in which political actors could pursue issues that are more often concerned more with local public goods, like urban air quality or the quality of the running water, than international public goods.
- The European Union has not played as significant a part in some European cross-boundary pollution problems as the designation "international resource regime" would suggest, since other bodies – significantly, the United Nations Economic Commission for Europe – have played at least as strong a role.

So, basing the reasoning on these statements, it is clear that the European Union could not be considered an international regime. Therefore, an understanding of the ways in which the interdependencies regarding environmental issues have come to dominate European environmental policy is a priority.

As Weale et. al. (2000, p30) point out that, since the liberalization of trade was selected as the right tool for European integration, this notion of integration borrows much of its logic from issues that are raised by the implications of free trade for the environment. However, it is not so simple, because, as outlined by Brack (1995), there are certain respects in which free trade can be good for the environment and certain respects in which it can be bad. There are some aspects in which free trade can represent some environmental advantages: Free trade facilitates specialization according to comparative advantage and thus promotes the efficient use of resources. It can also provide higher levels of resources for

environmental investment, as well as open economies to the use of new technologies that can improve the potential for clean production and product diversification, taking pressure off of unsustainable extractive industries. On the other hand, there are also aspects in which free trade could be seen as a hindrance to the environment: Free trade promotes growth, hence increasing pollution, while higher income does not always lead to higher expenditure on pollution-control technology. In addition, trade liberalization can imply agreements that undermine the effects of environmental standards, and countries with strict pollution controls can find themselves coming into competition with countries with laxer standards.

Weale continues to outline that the establishment of an internal market has demanded that policy-makers pay attention to environmental issues, because measures of environmental protection, either in the form of administrative regulation or by means of economic instruments, often threatens the functioning of the market. However, since any set of markets can give rise to market failures, the establishment of the internal market has also had implications for environmental protection policies. Thus, just as environmental protection policies have inevitably had implications for the internal market, so the creation of the internal market has had implications for said policies.

Since the internal market is a political creation, it deals with questions of identity and purpose within the European Union. The relationship between the internal market and the environment hence unravels in ways unforeseen and unintended by those taking political action.

Weale et. al. (2000, p37) point out that, from a purely economic point of view, environmental pollution is an externality. That is to say, it is a case where parties engaged in trade do not bear the full cost of the transaction themselves but displace some costs onto third parties. According to Buchanan and Stubblebine (1962), an externality is a cost or benefit that results from an activity or transaction and that affects an otherwise uninvolved party who did not choose to incur that cost or benefit. A classic example of an externality is given by Pigou (2013) in the instance of the smoking chimney that pollutes the area in its vicinity: Neither the owners of the factory nor those who buy its products need take responsibility for paying the costs of the extra cleaning of homes and clothes that the nearby residents incur. Hence, externalities are an example of market failure.

Understanding that term in the strict sense to an average case where the competitive equilibrium of the market does not lead to a so-called "pareto-efficient" allocation of resources, is itself defined as a state of affairs in which one person cannot be made better off without making someone else worse off (Kreps 1990). To the extent that there were already externalities within the economies of Europe, the creation of the internal market program was built on the assumption that it would raise the total volume of goods and services traded in Europe. However, if in the production and consumption of those goods and services, externalities are created, then it will follow that externalities, too, will increase, unless compensation measures are taken. Hence, the internal market could result in a failure of

environmental policy. It follows that, as Weale et. al. (2000, p38) outlined it, one of the ways in which the environment and the internal market are related is that the economic benefits associated with the internal market could be offset by the growth in uncompensated externalities, which the increase in the volume of goods and services traded would bring. It must be emphasized that, in 1990, a Task Force (EU 1990) was established with the objective of analyzing the environmental consequences of the internal market. This Task Force identified two main categories of impact. One that contained static impacts that were a result of removal of barriers, in this sense, included issues such as how trade in animals, plants, and wastes could be effectively regulated without border controls. The proposed solution to these kinds of issues was trust-building within the European Union, so that point-of-origin checks and enforcement procedures were mutually recognized. The other category consisted of dynamic impacts, which resulted from the economic and industrial growth expected as a result of the barriers falling; this group included the more obvious effects, those that were expected as a result of dynamic growth derived from the creation of the internal market, perhaps most obviously the expected growth in road and air transport, putting more pressure on the environment. The Task Force (if it acknowledges that its work on the economic side was completed in a very short span of time and with limited resources, outlining that its results should be seen as estimates) indicated that these effects would be especially critical in southern Europe, where infrastructural development would have to be extensive. Also stressed is the fact that the less developed Global South would also be more vulnerable to the rise in tourism, which could lead to increased economic and social tension in addition to overloaded sewage systems, noise, and air pollution, as well as the destruction of habitats – all examples of external effects.

Despite the complexity of the issues analyzed and the uncertainty regarding the Task Force 's findings, it was clear that the effects of the internal market could be potentially harmful to the environment. Nonetheless, because the internal market was a political imperative, it was treated as a high priority issue in the Commission, and specifically within the Council. Therefore, no attention was paid to the issue of environmental externalities, so the interdependencies between the internal market and environmental policy are evident. Therefore, it is clear that there is a relation between environmental policy and the implementation of the internal market. It should be underscored that the process of institutionalization which has been carried out since 1972 has played an important role in this process, because, through it, "the environmental measures [have] acquired a range and scope going beyond anything that could be conceivably related solely to the single market" (Weale et. al. 2000, p53). The notion that institutionalization implies autonomy, at least to some extent, must be stressed. Usually, when one refers to an "institutionalized policy field", one assumes that the policy-making decisions are arrived at according to the rules, conventions, norms, and practices that define the institution in which policy is forged. The integration of the European Union through

the internal market has led to a pragmatist development of environmental policy measures.

As was mentioned earlier in this text, environmental concerns were first introduced in European countries in 1970, and the attention of policy-makers was almost entirely focused on the pursuit of economic and industrial development; the creation of a European common market was only one part of a broader strategy. In this way, the introduction of environmental concerns did not distract policy-makers from their objectives. It rather strengthened persistent trade and clearly placed the logic of environmental action on a supranational level. Thus, it could be assumed that member governments saw the transnational institutionalization of environmental governance as a process that did not interfere with their own policy preferences. In fact, Commissioner Mansholt (President of the Mansholt Commission, the European commission that held office from March 22<sup>nd</sup>, 1972 to January 5<sup>th</sup>, 1973), after a review of the Club of Rome's report "The Limits to Growth", made a statement claiming that European economic policy needed a new orientation and proposed a "centrally planned recycling economy". As this radical demand insisted on a change in the way in which the European Union was operating, it was rejected by the Commission itself as well as by the Council. Significantly, despite being too radical for the Commission, the Mansholt demand projected a rather different role on the Commission – that of a potential agenda-setter. Hence, it could be useful to point out the extent to which the environment as an issue could pose a challenge to dominant assumptions about the priority given to increasing economic growth.

Weale et. al. (2000, p76) note that, along with the increasing sophistication in the development of policy principles, a change in the conceptualization of the underlying rationale of environmental policy has been noticeable. This modification was intended to change the assumption that there is an automatic trade-off between economic growth and environmental protection, and it was important at the strategic and intellectual level because the principal reason for the slow-down in environmental policy developments in the 1970s was the high priority given to improving economic growth in the wake of the oil price hikes of 1973. Therefore, if the tension between economic development and environmental protection were to remain dominant in policy thinking, those arguing for a higher priority for environmental protection would always face an uphill struggle. It is important to stress the fact that, during the 1980s, it became common for policy-makers – not only in the European Union – to argue for the role of environmental policy in promoting a new sort of economic competitiveness. The argument made the case that, with the advent of global markets, the standard of product acceptability for international consumers would be determined by the country with the most stringent pollution control standards, so that the future of the post-industrial economy would depend upon its ability to produce high-value, high-quality products meeting high environmental standards. Hence, based on this argument, Europe would be able to take full advantage of the economies of scale in globally competitive markets only

if it legislates for high environmental standards on par with those to be found in Japan and the US.

This argument turned the most familiar objection to stringent environmental policy on its head: There was always a trade-off between the imposition of environmental standards and the protection of economic interests, most notably the protection of employment. As Hirschmann (1991) points out, one of the most important rhetorical devices in the armory of those arguing for progressive causes is the claim that what appear to be conflicting goals (equality and freedom, or economic prosperity and social protection) are really consistent with and may even reinforce one another, just as it is a feature of a "reactionary" discourse to stress the conflicts that are involved.

In the case of environmental policy, it became almost an article of faith that environmental protection was a precondition of the economic success that was associated with the European project.

It is clear that these arguments were developed extensively within the Commission and that they surfaced in relation to the Commission's "White Paper" on growth competitiveness and employment, the background of which is well known.

According to Weale et. al. (2000, p77), amid the growing public and political anxiety about the recession and rising unemployment in Europe, in June 1993, the Copenhagen European Council invited the Commission to prepare a document on the subject, outlining a diagnosis and discussing possible policy solutions. Given the origins and context of the document, positive mention of environmental protection shows the extent to which the fundamental argument of ecological modernization had entered the policy arena. In terms of environmental policy, there is a clear formal recognition within the "White Paper" of the role of environmental projects and concerns in promoting enhanced growth and competitiveness. Chapter 10 of the Commission's report is titled "Towards a New Development Model". It promotes fiscal and other policy instruments as devices for moving costs away from the employment of labor and towards the use of resources. According to the paper, the existing policy instruments will have to be reoriented to encourage the more efficient use of resources (thus leaving the possibility of eco-taxes), and priority should be given to environmentally friendly innovation both by means of subsidies for technical improvement and by funds for research and development. It should be stressed that the aforementioned chapter is the conclusion to a series of related points made throughout the document. Hence, in the context of the need to develop new forms of work and new employment opportunities, environmental protection is one of the sectors where expansion is said to be possible (EC 1979). In this way, the Commission used the strategy of ecological modernization as a legitimating discourse in its attempt to reconcile the goals of the internal market and the imposition of high environmental standards. Weale et. al. (2000, p78) point out that environmental policy-makers within the Commission were successful in articulating a legitimating discourse in terms of which the institutional expansion of European environmental policy could be justified, but they warn that this conclusion needs to be considered very carefully, because, within the new discourse, there

are divergent elements that contain politically important ambiguities which have blunted the effectiveness of the argument that is being advanced. The elements of this ecological modernization discourse are complex; it could be assumed that this complexity has permitted that it always be possible for policy-makers to downplay some elements and stress others depending on their own interests or perspectives. At this point, it is important to note the inherent tension in simply justifying environmental policy in terms of a "market failure" rationale, which implies a more interventionist line. This issue could be considered a local example of the wider 1980s conflict between the ideological proponents of "Rhineland capitalism", (who favored a partnership between economic enterprises and political authorities) and proponents of neo-liberalism (who favored a less interventionist role for the political authorities) (Albert 1993). This issue is critical because it outlines the ambiguity of the internal market project. In this sense, it was seen as a liberal project by some and as a tool for a more interventionist regime at the European level by others. At this point, it must be highlighted that, among those who considered this strategy to be a liberal project, there were also two general positions: one that stressed the importance of reducing non-tariff barriers to trade created by national regulations, and another that stressed the dangers of "market failure", especially in the environmental area.

From another perspective, those who held a different view of the relationship between environmental protection and economic cost could always question this strategy of ecological modernization. In this sense, for highly developed industrial countries like Germany or the Netherlands, which need to search for new markets, the strategy of ecological modernization was an obvious step forward. On the other hand, it did not make much sense from the perspective of a country like Spain.

However, the strategy of ecological modernization was presented as a progressive way of approaching environmental challenges, justifying economic growth and technological advances as an essential part of a conscious and respectful environmental program. In this sense, the strategy has been presented as a significant path towards development in almost all of parts of the globe, exemplified by the well-being of the powerful industrial countries that have been carrying out the strategy.

In any case, as Weale et. al. (2000, p79) signal, even in developed northern states, that environmental standards have never been allowed to completely override cost calculations. They cite an example of a German approach to pollution control that relied upon setting standards according to the "state of available technology"; the Germans implicitly reckoned the economic consequences of their decisions, outlining that no standard is ever set solely with reference to environmental considerations and without considering its economic effects.

So, what is the relationship between the approach of ecological modernization to the justification of environmental policy principles and the concept of sustainable development? This, of course, depends on how narrowly or broadly the concept of



sustainable development is defined. Nevertheless, even according to relatively narrow definitions, the principles of ecological modernization capture only a part of what advocates of sustainable development are seeking. Ecological modernization rests crucially on the claim that economic growth can take new, more environmentally friendly forms. Sustainable development seeks to set the pursuit of economic development within the context of principles of intergenerational equity, social justice, and democratic participation. That this is the discourse of ecological modernization, rather than of sustainable development, that could most easily be attached to the justification of the European Union's environmental policy measure, probably reflects the continuing importance of the origins of European integration in the method of economic interdependence.

#### **4.3.- European Environmental Governance: The Main Institutional Actors.**

The last section outlined the way in which policy principles influenced policy-making in the European Union. These principles exist as such because institutions employed them in the task of formulating policy and devising solutions to environmental problems. Before choices can be made and strategies formulated, institutions have to be established. It is clear that European institutions and institutional actors occupy a pivotal position in the European environmental policy narrative, and therefore in the environmental governance of Europe. As has been demonstrated, the involvement of European institutions in the creation of environmental rules has been a gradual and slow process; this process has been accompanied by institutional proliferation, and, through this, environmental concerns have become a feature of a wide range of European Union institutions.

In turn, the European system of environmental governance has involved an extension of the range and character of various institutional actors and not just the development of policies. Moreover, by delineating the institutionalization of environmental regulation at the European level, the aim is to explain how the role of European institutions has been altered and adapted as European environmental governance has evolved. Before describing each institution, it should be underscored that these are mainly considered organizational actors, and it should be recognized that they derive their powers and place in the European Union's system of environmental governance from the complex of rules and practices within which they are embedded.

##### **4.3.1.- The European Commission**

The European Commission performs a wide range of functions and is involved in environmental governance in many ways. As an agenda-setter, a consensus-builder, a manager, and the formal initiator of legislation, its presence is largely taken as a given at all stages of the European environmental policy process. The European Commission has often been characterized as a hybrid of European civil

service, international secretariat, and embryonic government. Its functions have been defined as both political and administrative, but this definition still falls short of describing the full uniqueness of the institution.

Regarding the structure of the Commission, it is important to note that it is headed by an executive and collegiate decision-making organ, the College of Commissioners, which is comprised of 20 commissioners who collectively decide on Commission policy. Each of them is responsible for one or more portfolios, and voting is performed on the basis of consensus or simple majority and is confidential. The division of tasks among the commissioners has as much to do with the political experience of individual commissioners. As with any ministerial-type post, commissioners are expected to operate on a fast learning curve and to pick up the fine details of the portfolios in the job. However, it is true that commissioners do not work alone, and, to at least some extent, commissioners are only as effective as their supporting staffs. The informal working groups of the cabinets of various commissioners can be very important, because not only do such advisers to the commissioner have their master's ear, but they also frequently have excellent contacts beyond Brussels, in Whitehall, Paris, and so on. More generally speaking, they provide a form of policy leadership and agenda setting. Their interaction with the various personnel on committees is vital for transmitting and intercepting information flow. It is the cabinets that keep commissioners informed on general policy developments and that are responsible for specific briefs.

The cabinets also liaise between the commissioners and commission services. The Commission is comprised of 24 directorates-general (DG), which, like mini-ministries, are responsible for specific sectoral and horizontal policies, reflecting the policy competences of the EU. Director-generals head these DG, as senior commission officials who can themselves have a significant effect on policy priorities. Within this general structure, horizontal services provide across-the-board facilities for all DGs. For environmental matters, the Legal Service is one of the most important Directorate-Generals since it is responsible for ensuring that the legislation being developed within the DGs is compatible with the treaty and is legally sound. The Legal Service examines all draft environment texts, though it rarely interferes with the substantive aspects of draft legislation.

There are many DGs that deal with energy, research, development, and industry that may have an interest and even some involvement in environmental matters. DG XI (environment, nuclear safety, and civil protection) is the one that is ultimately responsible for the drafting of environmental legislation and the implementation of policy. DG XI is divided into directorates that deal with general and international affairs, environment, industrial nuclear safety, civil protection, and environmental quality and natural resources. Though it has grown a lot since the mid-1980s, it still remains a relatively small DG. It is considered a "fringe" or "science" DG by the Commission itself, and, therefore, it is important to take into account that this DG is not one of the Commission's political heavyweights. In other words, this DG can achieve little on its own, so it is necessary for the DG XI to build coalitions of support for its proposals. From the outside, environmental

groups see DG XI as an integral and implicit part of the Commission and not as a defender of their interests.

One particular domain of the Commission's activities that is frequently forgotten about is its duty to produce detailed, delegated, secondary legislation as mandated under parent directives and regulations that have been approved by the Council of Ministers. To assist the Commission in this function, a host of specialized committees with distinctive rules has been set up; indeed, at present, some several hundred such committees meet on and off to assist the Commission in a system that is known as "comitology". These committees are composed of experts, typically nationally approved scientists from each member-state, who provide detailed advice to the Commission regarding the rules and regulations associated with a major directive. Since many of the precise costs of an environmental measure are contingent upon such details, the work of such committees is by no means trivial, even if it is often obscure. There are many sources that signal that the reliance of DG XI on these committees is extensive and detailed (see Bainbridge&Teasdale 2012; Buitendijk&vanSchendelen 1995; Demmke 1997). Regarding environmental policy, "comitology" can be vital, particularly because, under a variety of complex rules, the so-called "regulatory committees" may actually refuse to approve Commission plans and thus leave policy in limbo. They can also send issues back to the Council, thus reopening the terms of the original agreement. Therefore, it is mainly for these reasons that the European Parliament has been keen to be given a greater say on comitology, while environmental groups have been prone to vocalize worry about the scope of opaque and secretive deals made between national representatives and Commission officials – a point that further illustrates the possibility of the permeation of the supposedly supranational Commission by member-states' representatives. Politically speaking, therefore, comitology is interesting, as it illustrates the extent to which intergovernmental actors have become close working partners with supranational actors in the evolving system of European environmental governance.

#### **4.3.2.- The European Parliament**

The European Parliament is often seen as the defender of environmental interests; it is where environmental groups turn to as the first port of call when seeking to lobby European institutions (as the Parliament's capacity to influence the European policy is known). The Parliament's ability to alter environmental legislation has been enhanced since the Single European Act and the extension of qualified majority voting in environmental matters, after Maastricht. Moreover, with the introduction of the co-decision procedure in some areas of the policy-making, this influence has further increased in a trend that has been confirmed by the Amsterdam Treaty. Most of the Parliament's formal work takes place in committee sessions. The 20 parliamentary committees debate and investigate proposals, produce reports on the Commission's legislative proposals, and propose amendments that are ultimately voted on in the Parliament's plenary sessions.

Directly elected officials, the Members of the European Parliament (MEPs) are the most obvious link between European institutions and the citizens of Europe. This is in part because the European Union has become increasingly aware of the urgency of increasing its legitimacy in order to reduce the democratic deficit while seeking to become an even more pivotal actor within the European Union polity.

#### **4.3.3.- The Council of the European Union (The Council of Ministers)**

This is, to a large degree, the legislating body of the European Union. Significantly, the Council of Environmental Ministers was created in 1973 as a response to the general rise in public concern about environmental issues. During the 1990s, it was holding at least four official Council meetings each year. Because the councils are not standing bodies, national officials that hold ambassadorial or deputy ambassadorial positions assist them, and they collectively form the Committee of Permanent Representatives (COREPER), which has the capacity to play a pivotal role in the development of environmental policy. The importance of the Council derives from the fact that it is the last port of call for European legislation, which, unless appealed against, must subsequently be implemented and enforced. The Council is made up of national ministers, one from each member state, and is chaired by the country holding the EU presidency. Depending on the issue and consequently the treaty base, votes on legislation are taken either by unanimity, with every state effectively holding a veto over new legislation, or by a system of qualified majority voting (QMV), which is a weighted voting system that gives the larger states more votes than the smaller ones (though not in a strict, proportionate sense).

The significance of the decision-making procedures in the Council of the European Union stems from the fact that it is in this forum that the differences of national policy preferences are expressed. Given the institutional centrality of the Council, and its significance as the archetypical intergovernmentalist institution of the EU, its pattern of decision-making is dominated by the pattern of preferences that member-states bring to Council discussions. In this context, the hypothesis that has dominated both journalistic and academic accounts of the Environment Council is that its divisions take a "leader-laggard" form. In this sense, member-states could be categorized into "leaders", who press for high environmental standards, and "laggards", who, for a variety of reasons, oppose the raising of standards.

#### **4.3.4.- The European Council**

However, the supreme decision-taking body of the European Union is the European Council, an institution with an identity distinct from that of the Council of Ministers, since the heads of the governments of the member states composes it. It sets agendas, filters information, and demands policy from the domestic political arena through to the European level. It should be stressed that only the most controversial and politically sensitive issues will come to the attention of the European Council. It

holds meetings twice a year, so there is time to discuss and deal with issues that have been considered unresolvable at the Council of the European Union. The European Council prioritizes issues of high politics – foreign policy matters, constitutional and institutional questions, and economic affairs. Therefore, it is rare that environmental issues emerge as the focus of the European Council; unless some environmental issues manage to attract the European Council agenda as a result of intense public or media attention.

#### **4.3.5.- The European Environmental Agency**

The European Environmental Agency is governed by a management board composed of representatives of the governments of the 33 member states that compose it. It became operational in 1994 and is headquartered in Copenhagen, Denmark. In the course of its establishment, some voices called for it to be given powers of supervision over national environmental inspectorates, to ensure that they were correctly implementing and enforcing environmental legislation. However, this function was eliminated from the final directive. Although its current role of disseminating and regularizing the production of environmental statistics is far from insignificant, the mere production of such information can have unintended regulatory effects by indicating implementation gaps and deficits, thus creating pressure for action (Majone 1994).

#### **4.4.- Final Remarks**

The European Commission, through its capacity to make use of symbolic and informal policy instruments, demonstrated its capacity to shape the norms and principles that would thereafter underpin a distinctly European system of government. From the mid-1980s, the Commission, Parliament, and Court demonstrated how, whether together or at odds with one another, they could influence the environmental agendas and play a leadership role in environmental governance. Rather than claiming this to be evidence of a move from passive to purposive institutionalism, we might see it more as recognition of the adaptability and malleability of European institutions. Although they have the capacity to act purposively, they do not always do so. They have at their disposal a range of strategies and roles that they're able to adopt in order to achieve their desired ends. While it could be wrong to see national governments as anything other than the most important actors in the environmental policy game, which establish the limits within which the European institutions can act, the European institutions could be considered purposive, and this purposiveness could be considered subjected to nationally-imposed constraints. In this way, saying that an institution may be able to act purposively is not the same as saying that said institution is able to act independently.

The inter-institutional relationships and the interactions among a wide range of policy actors shape patterns of environmental governance at the European level,

but European institutions are not the only actors involved in environmental governance in Europe, even if they play some of the main roles. In this sense, national and subnational governments and interest groups are also sources of considerable influence.

It is clear that the European institutions play an important role and help to delineate, to some extent, the environmental governance in Europe. Nevertheless, it should be emphasized that Environmental governance is defined by a combination of factors, such as structural and procedural contexts, which, in turn, are based in the principles and values that permeate the overarching political framework of each of the nation-states integrated into the European Union. In this regard, by analyzing the way in which policy is made, it becomes clear how technical and scientific input merge into policy and are blurred within the political discourse, the character of which is established institutionally. Therefore, this could be considered a confirmation (and perhaps an extension) of the conclusions of Chapter 3, because this analysis has exposed the way in which the hegemony is maintained through the neoliberal institutions signaled in the aforementioned chapter.

## CHAPTER V

### NATION-STATES AS ECONOMIC-SOCIAL SPACES: ANALYSIS OF THE GOVERNANCE OF GERMANY AND THE UNITED KINGDOM

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According to Lipietz (1985), accumulation regimes and regulation modes are conformed basically in the spaces of "nation-states". It could therefore be assumed that this is because these centralized contexts of power provide the ideal sociocultural conditions towards the emergence of ideas, values, and common orderings, which, in turn, serve as a basis for the development of social concessions. It follows that this is where such regimes and modes – through framework conditions – could better exercise their influence. As regulation emerges from the harmony between institutions and a variety of processes that are relatively independent of each other, even without a guide, but have the state as an institutional center, because the physical coercive power is fundamental to the maintenance of class relations, its social forms and the modes of institutional expression, and because it is only there where it could be inscribed, in a binding way, in social concessions (Hirsch 1995, p51). It would be wrong to assume that the state manages society; rather, it guarantees the regulation process through its coercive means and is itself an object of regulation (Jessop 1990, p367). Alterations in the accumulation conditions and in the social coercive correlations always lead to modifications in the network of the political system—that is, in the relations between administrative apparatuses, informs of representation, the modalities of the mediation of party interests, or forms of associations (Jessop 1984, p238). The concrete configuration of the state, the specific relation between the state and society, the way in which state intervention, and the institutionalization of social relations have not been previously fixed, but rather modified according to the conditions of regulation. By these means, it is possible to more accurately determine the bond between politics and economics, state and economy. There is not any economic area that is independent from the state and regulation. The process of accumulation of capital is always considered within the regulation framework, in which the state is seen as the institutional center, even if its function and importance may vary according to their respective accumulation regimes and modes of regulation. At the same time, regulation maintains the dependence of the development of the accumulation process. The ideas that consider the economy to be managed by politics or vice versa are therefore wrong, as accumulation and regulation form a contradictory unit – contradictory because it is determined by the respective social practices and their own dynamics (Hirsch 1995, p52).

Understanding the regulation process and the role that the state plays in the process implies, then, the observation of not only the state apparatus in a reduced

way, but also the so-called political-administrative process. Next to this determination of the reduced state stands what Gramsci describes as an extended state, which includes the whole spectrum of civil society. This is the branched network of organizations that, in a formal sense, at least to some extent, are independent from the state, and are the voluntary associations at the service of the representation of society interests, the formation of political will, the expression of opinions, and public discussion: parties, federations, sectoral interests groups, churches, universities, the media, associations, clubs, citizen initiatives, and many more. Next to the state, in the aforementioned reduced sense, civil society is an essential component of the regulatory system, because it is there where interests are organized and social processes are regulated. For example, through collective agreements, general ideas regarding value patterns and orderings are conformed to and therefore serve as mediators between the state and society (Hirsch 1995, p53). Hence, it is clear that the usual assumption that state and civil society are in opposition to each other – that is, considering them as a coercive apparatus (the state) and a field of freedom and democracy (civil society) – is unfounded, because both are structural components of the institutional system of regulation, determined by the structure of a capitalist society through which domination is stabilized and the process of accumulation of capital guaranteed. The institutions of civil society are developed through relations of economic power and political domination, and, despite all opposition and friction, both are narrowly interrelated: the state guarantees the structures of civil society (such as the freedom of union association or private property of the media) and, without them (that is to say, without the processes of legitimation and canalization of the interests they produce), political domination could not last.

Individual states and their external delimitation offer favorable conditions for the configuration of modes of regulation based on consensus and coercion in the institutionalized unit, and confer consistency and relative stability to the process of capitalist accumulation (Hirsch 1995, p65). As Lipietz (1985) indicates, societies organized as individual states represent a fundamental departure point for analyzing capitalism. The nation-state systems of accumulation and regulation are developed from the beginning within the global capitalist market, and, across borders, they are embedded in complex entanglements, exchange processes, and economic, political, and military dependencies. International economic and political processes are not simply consequences of the joint action of isolated national societies, but represent their own structures and dynamics that react to each other. The capital, in its dynamic of valorization, lies in a certain opposition to the forms of political organization that are spatially fixed. Hence, the implementation of a national mode of accumulation and regulation is linked to the generation of favorable conditions for positioning.

As the global capitalist model is characterized by different socio-economic spaces (which have also experienced different development), as well as by the existence of states that rival each other, a coherent system of regulation such as that which can be found in a national framework could not be formed. However, at a global



scale, the process of accumulation of capital requires its own regulatory mechanisms between states, in order to guarantee a relatively stable exchange of commodities, work force, and money. That is why, at the global scale, the process of accumulation of capital must also be politically and institutionally regulated, which brings about particular difficulties, especially since capitalism is politically constituted in the form of individual states. The international regulatory system consists of a multiplicity of institutions and organizations that are vastly different and linked to each other in an inconsistent way, e.g. governments, central banks, and international institutions such as those created at the Bretton Woods Conference (see Chapter 3.2.1), which were imposed according to the internationally dominant mode of accumulation and regulation. Such a dominant mode was, in turn, imposed by world potencies, which support and promote it with their own material possibilities and institutional means. However, it should be highlighted that, the more an accumulation and regulation mode is imposed at a global scale, the more comprehensive and enveloping its inherent crisis tendencies will become, such as the environmental one that is covered in this research. At the same time, the international regulatory system shows its own, very diverse moments of instability, as the position of the potency that guarantees consistence and coherence can be undermined through strong competitors. This has generally been successful for not simply having copied the dominant development model, but because, through competitors' political and social internal structures, they have developed their own, more effective alternatives. Regarding the dominant economic system, and precisely because there are more alternatives developed by the means mentioned earlier, this research focuses on analyzing how environmental governance has been developed in two different contexts. These are namely two different different varieties of capitalism, and this is an attempt to contribute to the understanding of the ways in which capitalism, under two different structures of organization, copes with environmental problems. This is done by trying to answer some of the research questions presented at the beginning of this study. Particularly, there are the following:

- In which ways do the overarching political and economic contexts of the European Union exercise their influence over national governments and the way in which environmental governance is handled? Is there a significant difference between the two national variants of capitalism regarding their approach to sustainable development? If so, what is the cause of such a difference?
- What is the significance of the environmental discourse in the two nation-states?

## 5.1.- National Policies on the Environment: A Comparative Approach

In the last chapter, it was clear that environmental governance in Europe is influenced by an entangled combination of factors that permeate the overarching political framework of the European Union. This chapter, in turn, focuses on comparing the environmental policies of two nation-states, with the following objectives:

- a) Delineate the background in which the development of environmental policy was carried out.
- b) Find out what policy principles (the way in which environmental policy is conceptualized and how it is encoded in legislation and in practice) are in each nation-state.
- c) Find out what the policy styles (the process of policy-making within which these principles are worked out) are characteristic of each nation-state.

By examining policy styles and principles, this research seeks *dependent* variables, in other words, to outline the characteristics of what makes for differences between the two nation-states considered for this research, on the assumption that these characteristics reflect underlying institutional influences. From there, the different policy regimes characteristic of each nation-state are defined with reference to their policy principles and policy styles; these can also be regarded as *independent variables*, because, through the adoption of policy principles or the simultaneous processing of issues, a historical legacy is likely to be left that will shape how issues are dealt with in subsequent periods.

This chapter will then deal with the description of the policy principles and styles, understanding them as essentially dependent variables, but taking into account the way in which and the extents to which established patterns may influence contemporary developments in each country.

### 5.1.1.- Policy Principles

#### 5.1.1.1.- Germany

The German way of dealing with environmental policy and legislation needs to be viewed in the context of the German legal tradition, which, commonly with many continental systems, places a great emphasis on the formulation of general principles. In 1992, in the submission made to the Rio Conference, Germany picked three principles that had already been formulated in 1971 for the "Environment Programme" in order to define its approach to policy. These principles are: the precautionary principle, the polluter-pays principle, and the collaboration principle (*Bundesumweltministerium* 1992). These last two principles are common across many economically developed countries. Thus, it must be underscored that much of the distinctiveness of German environmental policy is granted by the importance placed on the *Vorsorgeprinzip* (principle of precaution). However, this principle cannot be understood without comprehending

the long-standing principle of control in German environmental policy, regulating in accordance with the so-called *Stand der Technik*, (State of the Art). In the 1974 air pollution legislation, the Principle of *Stand der Technik* was defined as follows:

*“Stand der Technik im Sinne dieses Gesetzes ist der Entwicklungsstand fortschrittlicher Verfahren, Einrichtungen oder Betriebsweisen, der die praktische Eignung einer Maßnahme zur Begrenzung von Emissionen in Luft, Wasser und Boden, zur Gewährleistung der Anlagensicherheit, zur Gewährleistung einer umweltverträglichen Abfallentsorgung oder sonst zur Vermeidung oder Verminderung von Auswirkungen auf die Umwelt zur Erreichung eines allgemein hohen Schutzniveaus für die Umwelt insgesamt gesichert erscheinen lässt. (The state-of-the-art, in terms of this act, is the development of advanced processes, facilities, or modes of operation that result in practical measures for limiting emissions to air, water, and soil, to ensure environmentally sound management, or to at least reduce the impacts on the environment by reaching a high level of environmental protection, which appears secured in general.)” (Umweltbundesamt 1974, p6).*

This principle has come to mean, in practice, that regulators ask what is technically feasible in engineering terms, leaving operators free to determine how to achieve those standards. Afterwards, the regulators consider whether controls that are technically feasible can be applied to an emission, making some judgements about the economic costs of such control. Therefore, there is always an economic, as well as an engineering, assessment involved. Hence, the relationship between *Stand der Technik* and *Vorsorgeprinzip* is clear, because, in the German context, a precautionary environmental policy is one that always takes advantage of the available state-of-the-art in dealing with an environmental problem. This is a key element that permits the better understanding of the way in which Germany relates environmental protection and economic development, and how, in this sense, it does not consider the aforementioned issues as opposed but rather as complementary. Therefore, it could be assumed that this is one of the reasons why Germany was one of the first promoters of the discourse on ecological modernization.

#### **5.1.1.1.- The United Kingdom**

In the UK, the concept that guides the environmental policy style, in somewhat the same way as the *Stand der Technik* does in Germany, is the principle of “best practicable means”, a principle based in the historical development of British pollution control legislation, in which the central idea is that pollution control policy should not, in principle, seek to minimize the state of pollution, but should instead aim to optimize it. This principle thus derived from the principle of Integrated Pollution Control (IPC), an approach which, in general terms, is that the pollution standards set and enforced in one medium, i.e. air, should be consistent with the standards set for another medium, i.e. water. In this way, the basic requirement for

integrated pollution control is that the totality of emissions from a given process be considered by the regulatory authorities. This IPC approach has given way to the development of two other principles: the BATNEEC (Best Available Technology Not Entailing Excessive Costs) and the BPEO (Best Practicable Environmental Option). In this sense, it may be the case for emissions that one medium meets the BATNEEC standards, but does not represent the best environmental option. In this sense, the BPEO could be considered the counterpart of the German *Vorsorgeprinzip* to impose more rigid emission requirements.

### 5.1.2.- Policy Styles

#### 5.1.2.1.- Germany

The style of German environmental policy is highly formalized. It seeks to reduce administrative discretion to a minimum and to incorporate explicit statements of principle into its legislation and policy approaches. This regulatory formalism becomes obvious when examining the tendency to ensure that standards, along with the procedures that accompany them, are explicitly stated in legislative and administrative documents. The main legislation documents in Germany related to environmental protection take the form of framework legislation, within which specific standards have to be set by regulators in the *Umweltbundesamt* (Federal Environmental Agency) and the *Umweltministerium* (Environmental Ministry) and are propagated through *Verordnungen* (ordinances). This could be considered one of the reasons why those setting standards favor uniform emission limits despite criticism from the economic perspective that such standards could incite. The policy-making in Germany is also characterized by the high level of expertise of its members, which may sometimes hinder the horizontal coordination of ministries.

#### 5.1.2.2.- The United Kingdom

In many ways, the style of environmental policy of the United Kingdom could be regarded as the polar opposite to that of Germany, which could be characterized as cooperative in the sense that it rests on a willingness to treat the process of regulation as the sharing of information. It should be stressed that the British policy style features a considerable amount of administrative discretion regarding setting and applying standards. Moreover, although the UK's policy style has changed since the impact of EU legislation, there are elements of its traditional approach that are still very influential. Such elements become evident in the tendency to displace questions about policy onto questions about the structure of the policy process. In this sense, the UK's sustainable development strategy has, at its core, the establishment of various advisory bodies: a Panel of Sustainable Development, consisting of five experts who report to the Prime Minister, a Round Table on Sustainable Development, consisting of 30 representatives from business, local government, environmental groups, and other organizations. In other words, the

UK approach has been to focus on changes in policy process and machinery rather than to concentrate on the development of an elaborately calculated set of planning targets.

### **5.1.3.- Political Parties**

It should be stressed that, as soon as international concerns about environmental issues started to gain momentum back in the 1970s, political parties in western European countries began to respond to those concerns, though their reaction was obviously conditioned by ideological affinity. In Germany's case, through political competition at least to some extent, the rise of Green Party corresponded with public opinion beginning to display higher levels of interest in environmental issues. Nevertheless, for political parties, it has been complicated to maintain environmentalist positions, whether because of issues of political tradition or simply because they have more pressing political issues to resolve. A genuine consideration for the environment has largely arisen from issues of immediate concern, and mainly due to pollution crises. However, as the environment has become a standard requirement in the commitments of every political party, such parties do not represent the necessary support that would help to increase the priority given to environmental measures. As was stated before, some statements adopted by political parties are based more in political competition than in substantial policy, so an analysis of party programs could delineate the way in which environmental issues have been developed within the process of party competition. Such analysis could be done by making a cross-national comparison between the two selected nation-states.

#### **5.1.3.1.- Germany**

Legal and institutional frameworks have delineated the German party system, as well as the political parties. The scope of this party system was intentionally limited by constitutional stipulations, which allowed the prohibition of anti-democratic parties, and by the 1953 and 1956 electoral laws, which raised the nation-wide electoral threshold. (Under Germany's mixed-member electoral system, parties that win at least three direct seats receive a share of seats proportional to their list vote, even if this is below five percent).

These laws helped reduce the number of Bundestag parties from eleven, after the 1949 election, to four, after the 1961 election, and the party system retained this configuration for the next two decades. German parties' internal politics and structures have also been marked by the country's federal structures. The federal decentralization of political decision-making encourages politicians to build national careers by nurturing their own organizational and electoral bases at the state (*Land*) level. Finally, the 1949 constitution gave democratic parties the status of semi-constitutional organs, giving them some legal privileges as a result of their mandated role of participating "in the forming of the political will of the people"

(Bundestag 1949, p27, Article 21.1). The Bundestag parties did not get around to adopting legislation that spelled out the details of this constitutional status until 1967, when the parties joined to secure public funds for their work (Bundestag 1967, p9, part IV, section 18.1). The resulting Parties Law provided a legal definition of political parties that affected the parties' organizational operations by specifying standards of intra-party democracy, which were to be followed by all recognized parties. In return, the Parties Law established what was to become a very extensive system of public subsidies for legally qualified parties.

Since the country's establishment in 1949, the Federal Republic's party competition has been dominated by struggles between left and right. Despite some initial concerns that Germany's proportional representation electoral system would promote the party-system fragmentation that had characterized the Weimar Republic, from the 1950s through the 1970s, only three parties played leading roles in this left-right dynamic: on the left, the Social Democratic Party (SPD), and, on the right, the Christian Democratic Union (CDU) and its Bavarian partner, the Christian Social Union (CSU). The political center was occupied by the much smaller Free Democratic Party (FDP), which alternately governed with both the left and the right in state as well as federal legislatures.

The effects of environmental issues on the party system in Germany have been clear since the 1970s, when the Social-Liberal coalition, under the leadership of Interior Minister Genscher and the Secretary of State responsible for environmental protection, Günther Hartkopf, passed several important environmental laws (Schreurs 2003, p58), including the "Act Against Noise from Air Traffic" (1971), the 'Leaded Petrol Act' (1972), the 'DDT Act' (1972), the 'Waste Removal Act' (1972), and the "Federal Emissions Control Act" (1974). The last is considered one of the first major pieces of legislation concerning air pollution control, as it provided the legal basis for setting air quality standards. Also essential to stress is the fact that the importance given to the environment is reflected in the manifesto position of the Free-Democrats in the early 1970s, which shifts from a middling to a more pro-environment position between 1969 and 1972. Between 1953 and 1972, the Social Democrats did not show themselves as too environmentalist, in part because they had committed themselves to making promises that somewhat involved economic growth. Regarding environmental commitment, it should be highlighted that, in order to cope with the recession induced by the oil price hike of 1973, Chancellor Schmidt organized the "Gymnicher-Gespräche" (Discussions of Gymnich), where he invited representatives from the unions, environmental organizations, the economy, and politics in order to discuss environmental objectives. Therefore, it was in Gymnich that it was decided that environmental issues be given a lower priority than economic development. After this reunion, and according to the agreements reached during it, all parties gave a lower status to environmental issues, prioritizing economic ones. Then, in the 1980s, the German party system slowly started to demonstrate a commitment to environmental concerns, mainly through the 1982 transition from the left-center Social-Liberal (SPD-FDP) coalition to the right-center Christian-Liberal (CDU/CSU-FDP) coalition.

This defined the change of orientation of the German government regarding environmental issues, moving from an almost spectator role to that of a conscious actor. It could be said that this change was induced by a number of factors. Among them, the most remarkable was that the Bavarian Christian Social Union used, at least to some extent, the environmental issue of the "Waldsterben" (Schütt 1980, p545-546; Ulrich 1980) as a means of attacking the social democratic core in North Rhine Westphalia. Another event that could be considered of importance regarding the environmental transition in Germany is that the Green Party started to emerge as a political force (attributed to the failure of the prevalent parties to cope with environmental issues). Significantly, it took them a decade of both successful and unsuccessful coalition experiments at the state and local levels to be considered a credible, pragmatic party with the will to govern. Furthermore, it was after this decade that they gained support as a plausible partner in coalition formation. Although it took until 1998 for an election to give the SPD and the Green Party the necessary votes to form their first federal-level coalition, it could be posited that the 1980s represent a reorientation in the German Party System towards the environment, although often only as part of their rhetorical commitments.

#### **5.1.3.2.- The United Kingdom**

In the UK, the main discourse of party competition has been concerned mainly with the paramount problem of reversing the country's comparative economic decline, which, in fact, hindered attention to environmental issues. Between the late 1960s and early 1970s, the United Kingdom experienced a general emergence of interest regarding environmental issues. Nonetheless, no major party underwent the transition towards environmentalism by implementing measures to cope with the demands concerning environmental policy issues, as was the case of the Labour Party in the 1970s, which was too concerned with the issues of economic policy to also be concerned with the adoption of environmental measures. In the 1980s, the Conservatives in charge, and their characteristic neoliberal ideology, resulted in deregulation manifesting their main objective of disregarding environmental concerns. It should be stressed that, at the end of the decade, there were some voices within the Conservative Party who started to bring up the point that the privatization of public utilities, such as water and electricity, would provide an appropriate institutional, contextual framework in which externalities could be accurately regulated (Ridley 1989). Other voices discussed fiscal advantages that could be found in "green taxation"; in other words, domestic fuel taxation was sometimes defended in terms of its environmental advantages. Nevertheless, this "green conservatism" failed to materialize due to the lack of a pro-environmental opinion within the party.

In addition, in the 1980s, the Labour Party was concerned with finding a solution to their internal organizational affairs, thus having difficulties giving the required attention to policy issues. It should be said that, inside the Labour Party, there were

people who mentioned the continuity between the Green agenda and the traditional social democratic concern with matters of public health and housing. Nevertheless, a tendency to consider environmental and economic issues as opposed to one other has prevailed, whether this takes the form of employment losses resulting from environmental restrictions on economic activity, or adverse effects on the distribution of income from increasing green taxation. One major issue of the Labour Party's attack opposing to the Conservative government was its fierce critique of the imposition to applying VAT to domestic fuel.

Regarding the smaller political parties in the United Kingdom, there are two in particular that deserve to be mentioned. One is the Liberal Democrats, which emerged as a party in a fusion between the Liberals and the Social Democrats after the 1987 general election. The Liberal Democrats have regularly argued for an increase in priority for environmental matters, in part following the lead given by the Liberals in the 1970s when they were still a different party.

The other "small" political party that merits attention is the Green Party, which has been committed to an environmental agenda. Important to stress is the fact that this party enjoyed an increase in popularity at the end of the 1980s, in part because of the general upsurge of general interest in environmental questions at the time.

However, it should be underscored that this result was bolstered by the fact that the Liberal Democrats were unpopular just after they merged. In this way, in 1989, the Green Party secured 15% of the popular vote in the European elections – a fact that undoubtedly influenced the thinking of other parties. Nevertheless, internal disputes of the familiar realist/fundamentalist kind divided the party. On top of that, the United Kingdom electoral system severely punishes any party that recruits only a small percentage of the vote without geographical concentration.

#### **5.1.4.- Economic Structure**

##### **5.1.4.1.- Germany**

The German economy is characterized by a number of large, world-class, and highly productive firms in sectors such as engineering, chemicals, and vehicles. In addition, it has a large number of smaller firms often involved in complex supply arrangements with large firms. Its public utilities have strong elements of both public and private control, and it also has a large, dispersed agricultural sector involving, in many instances, small-scale, part-time farmers. This economic structure is housed within a corporatist framework of policy-making in which much wage-bargaining is centrally conducted by large organizations representing employers and employees within different sectors. There is heavy dependence on the banks as sources of capital investment. Post-war government policy has been strongly committed to continuity and economic growth through policies involving the concentration of economic activities. It should also be highlighted that international competition plays a main role in large sectors of the economy, and, therefore, the implications of policy measures for the relative costs of German products compared



with those produced in other countries should not be ignored. Implicitly, and considering that European Union membership has been a fundamental pillar of German foreign policy since 1957, the opportunities that the European Union offers for the regulation and stabilization of international economic context are not likely to be ignored by policy-makers. Economic interests have exercised their influence on the developments of policy in Germany. Throughout the 1970s, the German government and its citizens participated actively in what could be considered the emergence of the modern phase of environmental-politics development. Nonetheless, the increase in the price of oil in 1973 resulted in critical pressures on the German economy. In this way, according to Voss (2013, p170), the discussion about the economic impact of environmental policies reached a political climax in June 1975 at the "Gymnicher-Gespräche" (Discussions of Gymnich). There, Chancellor Helmut Schmidt invited representatives from the unions, environmental organizations, the economy, and politics in order to discuss the environmental objectives that had been formulated in the early 1970s in the context of the reform program of the social-liberal coalition, with the objective of scaling down those objectives to a level acceptable for business. In other words, it was a call for deregulation in favor of economic growth. Hence, it was a demonstration of the way in which a corporatist economic arrangement exercises its influence to interfere in a productivist regulatory program.

Nonetheless, in the 1980s, with the new policy measures, the German corporatist arrangement took a new form. In this sense, Germany became one of the first countries that attempted to amend the traditional opposition between reasonable economics and rigorous environmental protection.

An essential feature that emerged from the aforementioned change in the German corporatist style of policy-making was the way in which Germany, having accepted the need to legislate domestically, then sought international measures, especially within the European Union, to ensure that the competitive disadvantage was not too great for German firms. Another considerable difference brought in by the "change" in the German style of policy-making was the expansion of funds invested by the government into environmental research and development. This reorientation from the corporatist system to topics such as efficient use of resources, renewable energy, and sustainable development, which are often considered within the framework of "ecological modernization", was the attempt to reconceptualize the environmental responsibilities of business management.

#### **5.1.4.2.- The United Kingdom**

The industrial structure typical of the United Kingdom is typified for being less technically strong and more dependent upon equity capital, and consequently differs totally from the German economic structure. Hence, the fact that there is no corporative infrastructure coordinating the economic activities could be considered one of the reasons that the United Kingdom has become less receptive to the discourse of ecological modernization. The economic program that was followed

by the Thatcher government consisted of creating the institutional and legal climate in which business managers would have great freedom to pursue profitable activities. However, it should be noted that, this fact notwithstanding, in the recent years, there have been important institutional and policy developments focused on rearranging the relationship between business and environment. To this end, the British Standards Institute established the standard BSI 5750 in 1979, trying to set a benchmark by which companies can level their environmental performance. After that, The Royal Society promoted public discussion of risk perception, and the Royal Society of Arts sought to promote the importance of environmental awareness in industrial design and manufacturing. Moreover, in 1993, a special "Queen's Award" was established to promote environmental achievement. Regarding business organizations, it should be noted that the Confederation for British Industry, which is the main employers' organization in the UK, tried to develop awareness of the commercial importance of environmental quality among its members by putting a department in charge of environmental issues. However, this department, aside from dealing with environmental awareness, also deals with concerns about costs (particularly those arising from regulation). In addition, retail organizations have tried to cope with environmental concerns, though it is seen as a way to gain a competitive advantage, as the retail sector remains strong at least to some extent in the United Kingdom's economy. In general terms, it could be said that, in the United Kingdom, there has been a shift in the traditional perception of the built-in opposition between environmental protection and economic performance. Nevertheless, there are still considerable reservations within the world of business about the costs of environmental protection.

## **5.2.- Comparison**

Regarding economic interests, it is clear that there have been major adaptations to increasing environmental requirements – changes that have been brought about through policy and regulation and, to some extent, from autonomous actions within key industries. This situation is more visible in Germany, where there are large industries exposed to international markets and hence have the organizational capacity to introduce procedures for environmental auditing and management. As environmental policies have been implemented, they have provided economic opportunities for the development of eco-industries. The perception that such opportunities are important has become more prevalent in Germany than in the United Kingdom, but it nevertheless plays a main role in the structure of environmental politics in both nation-states. It should be noted that the pattern of state-industry relations varies across both cases: In Germany, there has been a long-standing corporatist pattern of economic policy-making, and, in the United Kingdom, many corporatist experiments have been attempted that have failed to compete with alternative approaches. Organizational structures of labor and industry have also made corporatist styles of negotiation difficult.

It is clear that there has been a greening of economic actors. In an attempt to recognize corporatism as a significant condition of environmental policy change, it could be assumed that, in Germany, this corporatist pattern has provided a framework that has resulted a beneficial, at least to some extent, to ecological modernization. Moreover, in the case of the United Kingdom, it must be stressed that the framework that apparently created the ideal conditions under which environmental investments have been made possible was introduced by liberalization.

### 5.3.- Final Remarks

Regarding policy principles and styles, it is clear that these tend to relate to general national approaches to policy-making. Nonetheless, Germany has developed and transformed its principles and styles in ways that have responded to key elements of new demands for environmental protection, and, although the *Vorsorgeprinzip* often remains operative only on a rhetorical level, it is true that there are cases where the principle has at least strengthened the case for higher standards of performance.

The UK, in which the notion of *best practicable environmental option* derives from the consensual style of regulation – the UK's traditional approach – it prioritizes economic growth over environmental protection. Therefore, when a proposal for environmental protection is made, the argument that issues of economic cost should always be considered is put into question.

It is clear that the European Union has influenced the ways in which environmental affairs are handled. In general terms, the changes in policy styles in both nation-states have developed through the European Union's pressures to adopt the program of ecological modernization, a dynamic for which the objective continues to be the establishment of the single market.

Cross-national differences between the two nation-states are well-defined when analyzing the most relevant elements of the domestic political systems. In this way, the specific and differing economic structures influence attitudes of economic interests and the respective governments' abilities to implement changes in production practices. Thus, the roles and pressures of these elements may vary. Moreover, there are often identifiable reasons for cross-national differences. How can one better understand this pattern of similarities and differences? One simple assumption that is often used in cases like this is that the perceived differences are to be accounted for largely in terms of the differences in levels and forms of economic development.

All of these findings have been established while trying to provide a political and economic context for the two nation-states in the interest of a better understanding of the process that each nation-state has followed, and that has resulted in the way in which the environment is being handled in each one of them.

## CHAPTER VI

### THE INSTITUTIONALIZATION OF POLICY: A TWO-COUNTRY COMPARISON

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In Chapter 5, a brief look at the development of policy styles and principles in the two countries considered in this research was presented. Nonetheless, policies are developed through organizational processes, so, in this chapter, we will look at the organization of environmental policy. However, in order to have a clear look at the aforementioned “organization” of environmental policy, it is necessary to consider some questions regarding administrative organization.

How has environmental policy been institutionalized in the two countries? What forms of administration have they adopted, and how does their environmental administration relate to other facets of the machinery of government?

It is evident that alterations in the governmental machinery generally take place under the influence of many factors, within which the desire of policy-makers to give special attention to a particular policy area and to symbolize new priorities is often an important consideration. In this sense, when environmental considerations began to arrive more seriously in the agenda of liberal democracies in the late 1960s, the most common response of governments was to establish a separate part of the bureaucratic machinery to deal with such issues. This gave way to the restructuring of a central ministry to provide focus for environmental policy in the case of the United Kingdom. Germany, in the other hand, did not immediately established environmental ministries, but nonetheless concentrated environmental functions in a pre-existing ministry.

As was shown in Chapter 5, this organizational response to environmental issues was also a feature of the way in which the European Union first sought to develop its own policy capacity. Nonetheless, it could be considered that this story highlighted another feature of the administrative politics of the environment. Over time, within the European Union, the pattern of organization became more complex, and organizations with an interest in environmental issues began to proliferate. As the issue of external integration – the coordination of environmental issues across several sectors of policy – came to be appreciated, a wider range of administrative bodies within the European Union came to acquire some environmental interest and/or responsibility, and the institutional space became more crowded.

When talking in comparative terms, it could be assumed that issues of administrative organization provide some measures of policy salience; there are two ways of seeing this proxy of salience. On the one hand, some centralization of environmental policy-making functions, within an identifiable ministry or its equivalent, provides a measure of the initial importance of the governmental response to environmental issues. On the other hand, the more extensive the range

of institutions with some environmental responsibility, the more it is suggested that environmental policy is not only established as a policy field in its own right, but is also expanding in ways that are demanded by the problems that environmental issues pose. Patterns of institutionalization thus provide some measures – even if they are indirect ones – of the extent to which environmental concerns are taken seriously by governments.

Within this context, looking at policy organizational structures also permits one to empirically compare the relative importance of issue-based explanations of the developments of environmental policy with the importance of explanations based on national institutional patterns and policy styles – a comparison that could be considered one of the core purposes of this research. As was articulated in the first part of this chapter, the general drift of arguments about issue characteristics is that the nature of an issue brings about certain common patterns of response, implying a convergence among policy systems. Some arguments may be raised against this approach that identify the importance of national styles and institutions of policy-making, and that stress how historically conditioned institutional arrangements limit or determine what political actors are able to do. Such national policy-making styles are likely to preserve a divergence between different national systems dealing with the same problem. Hence, proponents of the theory of national styles of regulation hold that it is contingent on the historical events that are distinctive to each country and that, subsequently, are generally important in shaping policy responses to problems. In so far as administrative arrangements provide a measure of policy salience, the patterns to which they give rise may (hopefully) provide some evidence for testing the predictions of these two approaches.

The assessment of the evidence relies upon an analysis of how environmental protection is organized within the two nation-states in two main respects, the national and the subnational. In the first part, it is considered the pattern of organization in the central government and, in particular, the extent to which functions are concentrated in an environmental ministry. Is one ministry given responsibility for most environmental functions, or are functions assigned to a number of ministries? In general, types of environmental administrations vary considerably, with models ranging from the concentration of competences in one environmental ministry (through partial concentration with the ministry playing a coordinating role) to the dispersal of competences (alleviated by some inter-ministerial bodies), and, finally, to what is called “hyper-sectoralization” (López-Bustos 1992), where policy competence is widely dispersed.

What models are followed in the two nation-states that integrate this research? And how far, if at all, have central administrative structures changed in the last 30 years in the light of public concern about environmental issues and other pressures, especially from the European Union, making for administrative change?

Within this context, it is also considered the organization of technical advice.

Although many environmental issues have a great deal of salience and emotional resonance in the public’s collective mind, it is equally true that, in virtually all pollution control issues, technical questions concerned with the setting of emission

limits or quality standards, the restructuring of production processes, or the diagnosis of cause and effect relationships come to be prominent factors in making policy choices. In this context, it is necessary to consider how expert bodies are constituted and what their relationship is to policy-makers.

Furthermore, attention is given to the way in which central structures relate to subnational structures. It is evident that policy-making takes place at more than one level of government, and when we turn to issues of implementation, subnational structures often result in being of crucial importance. How far has administrative responsibility for environmental issues devolved into subnational bodies, and how far is it concentrated at the national level?

In this chapter, these questions are considered by looking at comparative trends in relatively easily measured comparative indices. It is argued that it is very difficult to discern strong common trends across the two nation-states, which could be said to reflect issue-based phenomena within the field of environmental policy. Instead, the legacy of specific institutional arrangements within each country is observed, particularly the ways in which both the shadows of the past and the specific problem-characteristics that each nation-state faces shape the structure of the administration.

## **6.1. Administrative Concentration and Environmental Policy**

### **6.1.1. Central Government**

How is environmental policy-making organized within the central government, and, in particular, what is the extent to which there has developed a centralization of functions across the two nation-states? Some analysts take this to be an important measure of the institutionalization of environmental policy, arguing that the creation of an environmental ministry is an important measure of institutionalization. The presence or absence of a ministry alone is an inadequate measure, since it ignores the extent to which environmental functions are actually assigned to such a ministry. Hypothetically, a ministry might be called a ministry and yet have relatively few relevant functions, such as those assigned to, say, an agricultural or a public works ministry. Until 1986, Germany did not have an environmental ministry, though a significant concentration of environment functions were the responsibility of a pre-existing ministry (the Interior Ministry). It should be highlighted that, after the creation of the environmental ministry, it has possessed a high degree of concentration of environmental functions, and is therefore one of the main reasons that Germany is seen as a leader in environmental issues. The UK, though they had an early start in environmental policy back in 1970, is not consistent with this perception, mainly because it faced a stalling process as the politics of economic decline sharpened in the 1970s and 1980s.

### **6.1.2. Subnational Administration**

As was mentioned previously, the institutionalization of environmental policy took place in the 1970s and 1980s, and this could be seen as a nationalization of the activities that had taken place before at the local level. Therefore, it could be said that the institutionalization of environmental policy led to a reorganization of central government. Aside from that, new laws for pollution control gave administrative powers to national bodies that were previously exclusive of subnational authorities. In this sense, the nationalization of pollution policy became, at least to some extent, the root of the issues of central-local relations. This is why it is important to have a look at the subnational administration and its relationship to the machinery of central government.

The emerging public administration of pollution also transformed the character of the subnational bodies that remained. New responsibilities – for example, in the areas of monitoring or solid waste control – were often assigned to sub-national authorities, and old responsibilities shifted from being merely optional to being mandatory. Moreover, one important responsibility typically handled by subnational bodies is the inspection of licensed plants and permits to ensure that standards are being maintained in accordance with the license. Given the need for local knowledge, it is not surprising that subnational bodies are assigned to take on

this task, even when the standards have been set at the national or even at the international level.

Broadly speaking, there are two patterns of subnational and national relations that may exist in the administration of environmental policy in the two nation-states analyzed here. The first pattern rests on the principle of splitting the policy functions that are related to any specific area of activity, by making policy-making and standard-setting a national responsibility. However, policy implementation and compliance-monitoring is a subnational responsibility. The second pattern is to split responsibility according to criteria that relate substantive issues. Thus, responsibility for hazardous chemicals may be made the responsibility of the central government, but some forms of waste disposal may be made the responsibility of a local or subnational government. It is important to emphasize that this two-fold categorization of ways in which policy responsibility might be assigned is clearer in analytical terms than it is in practice. Within the German system, for example, to approximate the pattern in which responsibility is assigned on the basis of policy functions, with the federal government making policy and setting standards and the subnational governments implementing policy, there is still some assignment of responsibility on the basis of substantive issues. That is because, in Germany, there is a functional division wherein the federal government sets standards in areas where it has responsibility, while subnational authorities are responsible for implementation. These subnational authorities are also responsible for areas where the federal government only has framework powers. All of this has been historically determined, as Germany has made the decentralization of power hierarchical since the postwar. This has been achieved principally through a form of federalism that has divided policy competences functionally rather than by issue area. It could be said that the same constitutional anxieties that led to Germany's vertical federalism also make it difficult to establish independent agencies that might escape adequate parliamentary scrutiny. In this sense, it is hardly likely that the structure of the environmental administration would be an exception to these constitutional norms.

Conversely, in the UK, where, on some substantive issues, there has historically been a centralization of responsibility (e.g. air pollution from major sources), the central authorities have always tried to make due allowance for the assimilative capacity of the local environment based on the exact standards that were being enforced. This is grounded on the fact that the central government takes responsibility for setting standards and for implementation in those areas of pollution control where it has powers, while local authorities control less serious pollution. All of this is grounded, in turn, on the UK's historical tendency to conform to a principle for the assignment of responsibility that stresses substantive issues rather than policy functions. This can be traced back to the 19<sup>th</sup> century, when Sir John Simon, former head of the Local Government Board, lost the battle to gain responsibility for the major air pollution control lodged with the local authorities instead of with a national body, the Alkali Inspectorate (Ashby&Anderson 1981).



Therefore, it is clear that each country possesses a national distinctiveness, and, in an attempt to better understand the specific role that the institutions play, the next section will focus on institutional arrangements in terms of the organization of central government, the provision of technical advice, and the central-subnational relations in each nation-state.

## **6.2. Environmental Administration**

### **6.2.1. Germany**

#### **6.2.1.1. Central Government**

Germany stands out as having a high degree of concentration of functions. This was reflected with the creation of the Environmental Ministry (*Bundesministerium für Umwelt, Naturschutz und Reaktorsicherheit*) in June 1986, which brought together the main pollution control functions in one organization. There are, of course, a number of functions apart from pollution control that are relevant to the environment – most notably, those concerned with land-use planning and nature protection – that are still outside jurisdiction of the Environmental Ministry. Even so, the creation of the Environmental Ministry was a major break from the prior arrangements under which the Interior Ministry had carried out most environmental functions since 1969.

The reconfiguration of functions in 1969 was part of the response to the upsurge of political interest in environmental questions that occurred in the late 1960s. The FDP politician Hans Dietrich Genscher had been made Interior Minister in October 1969, and he took special interest in the development of environmental policy. On November 11<sup>th</sup> of that year, departments concerned with the control of water, air, and noise pollution were moved from the Health Ministry to the Interior Ministry. (Müller 1986, p56) Other ministries, however, still held on to environmentally relevant functions. The Agriculture Ministry retained responsibility for human and veterinary medicine and control of chemical substances, the Housing Ministry retained responsibilities for planning, the Transport Ministry kept control of transport policy, and the Ministry of Research and Technology kept control of environmentally relevant research.

It should be stated that, in the wake of the Chernobyl accident in 1986, Interior Minister Dr. Zimmermann was held responsible for the mishandling of public information about radiation exposure. In the absence of federal radiation limits for milk, the Interior Ministry failed to step in quickly, prompting the states to issue contradictory standards, thus causing public anxiety. To quell the disquiet about the incident, Helmut Kohl, the Chancellor of West Germany, issued a decree creating the Environmental Ministry. Water and waste management, clean air policy, noise abatement, reactor safety, and radiation protection were moved from the Interior Ministry. Nature protection was moved from the Agriculture Ministry, and sections dealing with the medical aspects of environmental protection, radiation hygiene,

and chemical substances were moved from the Ministry of Health (Weale/O'Riordan/Kramme 1991).

There seems to be general agreement among the policy experts interviewed by Louise Kramme, shortly after the creation of the ministry, that the move was largely driven by the political need to symbolize a change of priorities. However, there was a widespread expectation that a ministry would be created after the federal elections of 1987, and the main effect of Chernobyl was to bring push date forward. Nonetheless, given the symbolic need to demonstrate a commitment to a strong policy of environmental protection in the wake of the perceived crisis of Chernobyl, it is not surprising that it was possible in 1986 to overcome the long and deeply entrenched bureaucratic resistance, particularly from the Interior Ministry, to the loss of environmental functions.

Although bureaucratic turf disputes obviously play a role in the decision about the location of environmental functions, it is also worth noting that there has been a long-standing intellectual debate in Germany over the most appropriate organizational form of environmental policy since the creation of the first environmental ministry at the state level in Bavaria in 1970. Roughly speaking, the debate has been between those who favor the concentration of environmental functions in a single ministry and those who favor making environmental functions part of a larger and more powerful ministry with some influences across the wide range of policy sectors that bear upon environmental quality. In favor of concentration, proponents have pointed to the incentives that an environmental minister has to improve policy, and to the fact that a separate ministry is less prone to compromise in the specification of environmental goals. In favor of lodging environmental functions in a larger ministry, there have been those who are aware that the environmental ministry has little power compared with those ministries with whom it would have to negotiate and that it is inhibited by sensitivity to the difficulties of always having to demand compliance from others. Analyses after the event suggest that these tensions have continued (Pehle/Jansen 1998).

Even without these intellectual disputes, however, the creation of an environmental ministry was made difficult in late 1970s and early 1980s by the dynamics of coalition politics in Germany. During the last years of the Social-Liberal coalition, which ended in 1982, the Social Democratic Party came to favor the creation of a separate environmental ministry after a party inquiry chaired by Volker Hauff recommended its establishment. Nonetheless, it was not possible to act on this recommendation without upsetting the delicate balance of party portfolios in the coalition cabinet.

The first holder of the environment portfolio was Walter Wallmann, who was largely seen as both a safe pair of hands and a caretaker on his way to prime ministerial office in Hessen, a post he moved to in 1987. He was succeeded by Klaus Töpfer, who had an academic background in the economics of land-use planning and who was a former environmental minister in Rhineland-Palatinate. He brought to the post an understanding of the complex dynamics of environmental policy, which were reflected in early organizational changes within the ministry.

These strengthened waste control functions by upgrading two administrative sections to one a sub-department, boosting central planning functions, and adopting a matrix approach in which sectional responsibilities were related to cross-cutting themes.

The difficulty of adapting the traditional bureaucratic structure of German ministries to the crosscutting demands of environmental management, in which solutions to problems have to be seen holistically, has been a long-standing feature of academic and policy discussion. It is hardly accidental that Max Weber developed his account of the technical superiority of bureaucratic organization through specialization in the context of the German culture of administration. The organization of German ministries follows a pattern of departments, sub-departments, and sections (*Referate*), the last often being relatively small, involving about six people, and highly specialized. At various times, experiments have been tried with working groups that cut across the sections, but their influence has been low, and some of the difficulties that the German government had in implementing the EU's environmental impact assessment directive sprang from the fact that its scope affected some 16 sections.

Another aspect of the attempt to secure greater integration of environmental measures in the broad range of public policy is the creation of the so-called "mirror sections" in relevant ministries and in the Environmental Ministry, which are supposed to liaise with one another and coordinate each other's activities. However, their effectiveness is weakened by their being understaffed in the Environmental Ministry, where one section is responsible for liaising with more than one ministry, as well as by divided loyalties on the part of those in the mirror section of the corresponding ministry.

The main work of the Environmental Ministry involves drafting the legislative measures that are necessary in order to implement policy. Legislative measures are not taken in the isolation of the considerations involved in their implementation; for example, working groups of state officials are set up to look at the feasibility of proposed measures. However, the administrative component of policy-making is important, since the broad framework of legislation in each of the main areas means that significant policy developments occur as a result of administratively drafted measures. Moreover, since there is a strong emphasis on constitutionality in the drafting of German legislative measures, there is a need to ensure drafting that is highly competent in technical terms, and this reinforces the pressure towards specialization.

That brings us to the role of technical advice in the drawing up of legislation and technical standards. The ministry is aided in the formulation of environmental regulations by the independent Federal Environment Office (*Umweltbundesamt*, UBA), which takes responsibility for the technical tasks of researching standards and drafting potential regulations, while the ministry has the legal and the technical task of formulating the regulations in a way that is legally and constitutionally sound. Founded in 1974, the function of the Federal Environmental Office is to provide technical advice to the ministry in the setting of standards and the drafting

of legislation. Strong technical support is particularly important for a system of environmental policy in which the principle of *Stand der Technik* plays a central role. The Federal Environmental Office has also played a role in monitoring environmental pollution, particularly on issues of inter-calibration. For example, during the 1995 smog alerts in Germany, the Federal Environmental Office discovered that the state authorities were not all using EU-approved measuring methods, and the UBA sought to give advice about standardizing the procedure. Moreover, since issues of expertise go beyond the setting of standards, attending to wider questions of environmental policy, the Federal Environmental Office has also sought to explore these. For example, in the middle of the 1990s, it conducted research projects on the role that international trade agreements might have in securing environmental protection and on what the appropriate rules of international trade might be. The Federal Environmental Office also funds out-of-house research, for example, on the introduction of improved techniques of production in industry.

The Federal Environmental Office is relatively large – even larger than the Environmental Ministry – in terms of the number of staff members it employs, with over 600 employees. Until September 1994, it was organized primarily with a focus on regulation, but, by then, as a result of an organizational change, a new cross-media approach was instigated. A good example of this is the section organized to look at issues of soil protection, where pollutants can come from a variety of sources. Reunification put the issue of contaminated land on the policy agenda, and Klaus Töpfer's successor and current Chancellor of Germany, Angela Merkel, took a particular interest in the issue of soil clean-up. The reorganization of the Federal Environmental Office was therefore occasioned by the need to deal with such problems.

Although the Federal Environmental Office is clearly important for providing expert advice from within government, it is also clear that the German Environmental Ministry uses other sources of specialist advice, often located in federally funded research institutes. For example, in the field of water regulation, the ministry would expect to consult, among others, the Federal Institute of Hydrology in Koblenz, the Federal Institute for Navigation and Hydrography in Hamburg, the Federal Institute for Hydraulic Engineering in Karlsruhe, and the German weather service in Offenbach. Similarly, when the Environmental Ministry was drawing up technical instructions for waste disposal in urban areas, it asked the German Medical Research Council to undertake a study of the risks associated with waste incineration.

The Environmental Ministry has also set up joint working parties with the Federation of German Industry, e.g. on the technical options for various soil clean-up methods. The importance of such joint working parties also has to be seen in the context of the principle of *Stand der Technik*. Some observers have held the view that, in the 1970s, industry operated a "cartel of silence" on the possibilities of flue-gas desulphurization for large combustion plants, as a way of frustrating the attempts by the government to require higher standards of air pollution control. The use of a

joint ministry-industry working party in the mid-1990s is some indication of how far the assumptions of policy and, in particular, the assumptions about the relationship between economy and ecology, have altered.

Another important component of the advice network is the Council of Environmental Experts (*Sachverständigenrat für Umweltfragen*), established in 1972 on the model of the US Council of Environmental Quality. It is an independent advisory body made up of experts from the natural and social sciences, as well as engineering. It produces both general and specific reports and has been responsible for raising a number of issues on the policy agenda, including the problems of implementation failure in its 1978 report on the subject, the protection of the North Sea, and the case for increased use of economic instruments in the control of pollution.

A distinctive German advisory institution is that of the Enquiry Commission, a mixture of parliamentarians and experts set up to investigate and report on a particular topic. Looking at the “big” questions – for example, global climate change or the management of product cycles – reports of such inquiry commissions are less important for their strict technical content than for keeping the discussion of certain issues on the policy agenda. One striking example of the influence of an inquiry commission arises from the one established by the Bundestag in 1987 on climate change, consisting of 11 members of the Bundestag and 11 scientists. The commission played an important role in prompting action and filled a political vacuum left by the government. Its activity appears to have been decisive in establishing the urgency of the problem and the need to set stringent targets for carbon dioxide reductions.

#### **6.2.1.2. Subnational Administration**

Germany is a federal state; this simple statement of constitutional fact opens up a complex world of subnational environmental policy and politics – a world that has become more complex since reunification in 1990 and the incorporation of five states into the Federal Republic. Moreover, even in formal terms, and without the complication of moving from 11 to 16 states, the administrative situation is complex. The states are responsible for the implementation of environmental measures; they have their own forms of administrative organization and, in some sub-sectors of environmental policy, can set their own environmental standards independently of the federal government. Indeed, it was only with a constitutional change in 1972 that the federal government came to have significant powers in the environmental policy sector. Since that constitutional change, the federal government can override the standards of the states where it has “concurrent” powers, as in air pollution control, but not where it has only “framework” powers, as with much water pollution control. Therefore, although in formal terms of Germany’s federalism rest largely upon the distinction of policy functions, it also relates to substantive issues of policy.

The importance of the Federal Constitution is also shown in the way in which it has allowed the German Green Party to have an influence on the making of public policy. In a number of states, the German Green Party has been in coalition with either the Social Democrats alone (the Red-Green coalition) or with both the Social Democrats and the Free Democrats (the "traffic-light" coalition, Ampelkoalition). These coalitions began with a tentative period of political cooperation between the Green Party and the Social Democrats in Hamburg after 1982, through the Hesse coalition of 1985-1987 to others in Brandenburg, Bremen and North-Rhine Westphalia (Lees 1998, p98).

Although, in this section, the focus should be on the relationship between the federal government and the state governments, the significance of local environmental administration, particularly for such issues as traffic management, can be extremely important.

For the period of this study, the formal constitutional division of responsibility between the federal government and the states has been reflected in the legislative and standard-setting procedures in which the states are represented both formally, in particular in the Bundesrat, and informally, in such institutions as working parties convened by the ministry. There is an important distinction in Germany between the passing of legislation that bestows standard-setting powers and the setting of standards under such legislation. The ministry, in consultation with the Federal Environmental Office, drafts legislative measures. They first go to the Federal Cabinet and are then passed to the Bundesrat, the parliamentary body of the state governments, for an opinion. The cabinet then forms an opinion and puts the proposal to the Bundestag. The legislative committee in the Bundestag then consults the state governments before the matter is decided. Standard setting, by contrast, does not involve the Bundestag, but is undertaken through processes in which only the government and the Bundesrat participate.

In this context, various non-legally mandated processes of consultation and decision-making become important, involving various bodies representing the state governments. The Conference of Environmental Ministries

(*Umweltministerkonferenz, UMK*) includes representatives of state ministers with environmental responsibilities as well as the Federal Environmental Minister. After its first meeting on October 6<sup>th</sup>, 1972 (Müller 1986, p73), the UMK has subsequently met about twice a year. It is complemented by a parallel meeting of civil servants, the Permanent Committee of Departmental Heads of the Federation and Federal States (*Ständige Abteilungsleiterausschuß-Bund, STALA*), which plays a role in preparing the business for the meetings of the ministers.

At the state level itself, various forms of organization are to be found. The earliest experiment with the creation of a unified environmental ministry took place in Bavaria in the 1970s, when a new ministry was formed by bringing together the sections responsible for nature protection from the Economics Ministry, waste disposal from the Interior Ministry, and noise control from the Labor Ministry. In North Rhine Westphalia, by contrast, the creation of an integrated environmental ministry had to wait until 1985, and there has been some suspicion that the

unwillingness to form such a ministry was due to a fear from local politicians that the ministry would be too strong in the face of the local coal industry, which was such a large supplier of jobs at the time. In the end, public pressure was such that it was necessary to have a ministry that featured the word “environment” in the title. Below the level of the state authorities, there are the municipal authorities, which are also important in and of themselves, partly because they have essential pollution control functions such as waste disposal, and partly because they have licensing functions with respect to plants that are sources of pollution. Moreover, in terms of preventing or offsetting environmental problems, the municipal authorities can be very important. For example, the city of Freiburg was able, for some time, to cross-subsidize its public transport from the profits it made on its ownership of the electric plant, and other authorities have experimented with economic instruments in fields where the federal government has not dared to tread. It is therefore apparent that the institutionalization of environmental policy-making in Germany takes many varied forms. In part, this is a consequence of the country’s constitutional structure. However, in some part, the institutionalization reflects the emphasis given to the search for technical solutions to environmental problems under the principle of *Stand der Technik*, the logic of which requires the creation of forums for discussion, interest articulation, and policy deliberation among a wide range of parties.

## **6.2.2. The United Kingdom**

### **6.2.2.1. Central Government**

For the period concerning this research, the main ministry responsible for environmental protection and pollution control was the Department of the Environment. This was the successor to a number of bodies concerned with environmental issues, going back to the Local Government Board of the 19<sup>th</sup> century. Established in 1871, the Local Government Board had the task of overseeing the local authorities with the responsibility for sanitation and slum clearance in English cities (Ensor 1936, p23). These health-related functions were consolidated in 1919 with the transformation of the Local Government Board into the Ministry of Health – the association of health and housing in the same ministry being “a hangover from Victorian sanitarianism” (Webster 1988, p166). With the establishment of the National Health Service in 1948, the administration of health care ceased to be a matter of liaising with primarily local organizations and instead became a matter of administering a nationally controlled and funded system of health care. The gap between the local government wing of the department’s work and the health wing became increasingly wide, and, in January 1951, the ministry was split into two components, with the local government functions, including responsibility for pollution control, going to the newly created Ministry of Local Government and Planning, which was renamed the Ministry of

Housing and Local Government in the Conservative's accession to power later the same year (Weale/O'Riordan/Kramme 1991, p52).

The situation remained stable until Edward Heath came to power as prime minister in 1970. Keenly interested in questions concerning the machinery of government, and responding to the wave of public concern about environmental issues at the time, he transformed the Ministry of Housing and Local Government into the Department of the Environment (DoE). In 1974, with the accession of a Labour government, this mega-ministry was broken up, and the transport functions were returned to their own ministry again. The incoming Labour government of 1997 completed the circle by once more linking transport and environment in a new Department of Environment, Transport and the Regions, headed by the deputy prime minister.

Despite its name, the department created by Edward Heath was never a ministry whose sole, or even primary, purpose was the protection of the environment. With its continuing responsibilities for local government, much of its work was connected with local government finance, a function that became particularly important in the late 1980s with the politically mismanaged reform of local government finance introduced under Margaret Thatcher (Butler/Adonis/Travers 1994). Indeed, between 1974 and 1987, the Department of the Environment did not even have departmental responsibility either for pollution control or for nature and countryside protection, and some of the junior ministers, i.e. below the level of the secretary of state, have always been assigned special responsibility for the functions of environmental protection.

Successive secretaries of state did not challenge the low concentration of environmental functions in the Department of the Environment. The government under Thatcher, throughout most of its long period of office, was hostile to, or at best uninterested in, what may be regarded as the modern constellation of environmental problems: acid precipitation, ozone depletion, pollution of the oceans, river quality, and waste management (Hajer 1995, Chapter 4; Weale 1992, Chapter 3). Secretaries of state like Michael Heseltine, Kenneth Baker, and Nicholas Ridley either displayed an interest in other aspects of the department's work – for example, urban renewal in the case of Heseltine – or demonstrated hostility towards the growing consciousness of environmental problems, as in the case of Ridley. As a junior minister, William Waldegrave was able to make some progress on key environmental issues such as acid precipitation, but his secondary position obviously precluded him from being able to take the lead on questions of ministerial organization. Christopher Patten showed a genuine interest in issues of environmental protection and pollution, but, during his brief term in office, his attention was absorbed by the controversy surrounding community charge, leaving him little opportunity to focus consistently on environmental questions.

The Department of the Environment shared its responsibilities for environmental functions with four other departments of state: the Ministry of Agriculture, Fisheries and Food, the Department of Transport, the Scottish Office, and the Northern Ireland Office. The Ministry of Agriculture, Fisheries and Food had responsibilities



for pollution control with respect to some marine pollution, and the Department of Transport was responsible for vehicle emission control. The two territorial ministries were responsible for environmental matters. Despite this rather untidy set of relationships, the political focus of pollution control policy was centered within the Department of the Environment.

It is important to highlight that, in 1997, John Prescott (the then Secretary of State for the Environment, Transport and the Regions) merged the positions and responsibilities of Department of the Environment with the ones of the Secretary of State for Environment, the Secretary of State for Transport, thence creating the Department of the Environment, Transport and the Regions. In 2001, this department was renamed the Department for Transport, Local Government and the Regions (DTLR) at the same time that the Environment Portfolio was merged with the Ministry of Agriculture, Fisheries and Food under the guidance of Margaret Becker (the then Secretary of State for Environment, Food and Rural affairs). This gave way for the creation of the Department of the Environment, Food and Rural Affairs (DEFRA). All departments were given their own secretaries of state and, in May 2002, the Local Government and the Regions Portfolios were separated from Transport and given to the Office of the Deputy Prime Minister, which, in turn, became the Department for Communities and Local Government in May 2006. It is also worth mentioning that, in October 2008, the climate team from the DEFRA was merged with the energy team from the Department for Business Enterprise and Regulatory Reform (BERR) to create the Department of Energy and Climate Change.

Returning to environmental policy, it should be stressed that a major change in the administration of environmental policy took place with the creation of the Environment Agency, formally established in April 1996. Since that date, primarily operational responsibility for environmental protection, distinct from policy, has rested with the Environment Agency (in Scotland, the Scottish Environment Protection Agency). This comprises a board appointed by the government to implement policy. In England and Wales, the new agency brings together two bodies: Her Majesty's Inspectorate of Pollution (HMIP) and the National Rivers Authority (NRA), as well as some inspectors from local authorities concerned with waste management.

HMIP was created on April 1<sup>st</sup>, 1987 and brought together specialized inspectorates within the Department of the Environment who were responsible for air pollution (which, by a quirk of administrative history, had previously been the responsibility of the Department of Employment since 1974), radio-active chemicals, hazardous waste, and water quality. HMIP had administrative responsibility for the setting of standards in the fields for which it was responsible. Traditionally, HMIP and its precursor, the Alkali Inspectorate, has been small; around the time of its creation, it had some 230-250 inspectors. In 1993 and 1994, it had about 450, but it was due to reduce these numbers, under public-sector so-called "efficiency savings", to some 434 inspectors. The consequence of these small numbers is that site visits were – and still are – relatively infrequent,

even to complex plants. The single largest category of visitation in recent years has entailed pre-licensing discussions with operators.

By contrast with HMIP, the National Rivers Authority (NRA) was a non-departmental public body, meaning that it operated at arm's length from the ministry. It was created in 1989 in the wake of the privatization of the previously public Regional Water Authorities. The NRA had its own board, made up of part-time members, as well as a full-time director-general. At its inception, it had some 7,000 staff members, and so was significantly larger than HMIP. In bringing HMIP and the NRA together into one body, the intention was to create the organizational structure needed to operate integrated pollution control, also aided by the transfer of some functions from local waste regulatory authorities (Weale 1996).

Another non-departmental public body with some environmental responsibilities is the Health and Safety Commission, the prime responsibility of which is worker health and safety. It also has obligations regarding residual emissions affecting the public. The commission works through an executive and has responsibility for such matters as the control of pesticides and the labeling of hazardous chemicals. It merged with the Health and Safety Executive on April 1<sup>st</sup>, 2008.

The Royal Commission on Environmental Pollution (RCEP) was a long-standing part of the environmental policy advice system. The original decision to set it up was made under the Labour government in 1969. The late Anthony Crosland was made Secretary of State for local government and regional planning, with an urgent remit to improve the machinery for dealing with problems of pollution. Along with a new unit within the department, the Central Scientific Unit on Pollution, it was decided to establish the Royal Commission on Environmental Pollution as a standing body capable of giving independent scientific and policy advice to the government.

In formal terms, its responsibilities were defined as follows: To advise on matters both national and international, concerning the pollution of the environment, on the adequacy of research in this field, and on the future possibilities of danger to the environment (RCEP 1971).

In practice, it always took a broad view of its responsibilities, as captured in the opening of its first report: "We are authorized to enquire into any matters on which we think advice is needed" (RCEP 1971).

Until its polemic closure due to the spending cuts of the coalition government in 2011, the RCEP published 29 reports, which covered not only problems of pollution, but also questions of administrative organization and policy principles and approaches.

In addition to the RCEP, governments have brought in scientific experts in a variety of ways to provide advice on specific issues. Examples of such bodies include the Expert Panel on Air Quality Standards and the Quality of Urban Air Review Group. These bodies had the function of identifying problems and advising on appropriate responses. One particularly important advisory body was the Government Panel on Sustainable Development, which was replaced by the

Sustainable Development Commission in 2010 and was also discontinued due to the coalition government's spending cuts. This advisory body had wide-ranging remits to advise on the development of policies for sustainable development, and, in its first report, for example, it advocated a substantial shift in taxation away from labor and towards taxes on pollution and resource use.

Parliamentary committees provide other parts of the discursive space for the discussion of environmental policy. Although such committees do not have legislative power, their reports can be influential and can lead to changes in policy. Three committees in particular have been important: the House of Lords Committee on Science and Technology, the Environment Sub-Committee of the House of Lords Committee on the European Committee, and the House of Commons Select Committee on the Environment.

#### **6.2.2.2. Subnational Administration**

Local authorities, too, have important pollution control functions. In Britain, there are two broad types of local authority: those responsible for large urban areas and those responsible for the rest of the country. In the large urban areas, metropolitan districts have a full range of local authority functions, although no one authority covers more than a fraction of the conurbation in which it is located – for example, London has 32 districts, with no government for London as a whole. In non-metropolitan areas, there are typically two layers of government (although the structure is currently under review): County councils are responsible for waste disposal policy, and district councils for some aspects of air pollution policy, with both operating within the framework of national legislation and standards. Local authorities are creatures of statute in the UK and therefore do not enjoy constitutional autonomy. During the 1980s, conservative governments under Margaret Thatcher sought both to limit their powers and to control their spending. A particularly important theme during these years was the attempt to turn local authorities from service providers into service regulators. This distinction was especially important in the field of waste disposal, where the functions of managing waste disposal were separated from those of regulating the standards of waste disposal.

Despite their lack of power, a number of UK local authorities have sought to promote environmental protection, even though their resources are limited. Local Agenda 21, which emerged from the Rio conference in 1992, has been a particularly important galvanizing influence, and many local authorities have sought to set high standards in the fields of recycling, alternatives to car use, and energy efficiency.

### 6.3. Final Remarks

Based on the detailed description of forms of policy organization, and as sought to be established in the earlier comparative discussion, a clear pattern of institutional development does not emerge from the two cases. The manner in which environmental policy is institutionalized cannot be detached from the general and overarching institutional arrangements of each nation-state.

The most obvious institutional variables in this respect are constitutional ones. Thus, the pattern of institutionalization in Germany is conditional upon the constitutional framework, which, in general, secures a decentralization of power and considerable autonomy for subnational authorities. The constitutional framework is certainly not immutable, as the example of federal power in air pollution legislation goes to show in Germany. However, it does impose constraints on the speed and form of organizational development. The rapid experiments that comprised such a marked feature of the United Kingdom's experience depended upon the British government having the comparative freedom to ordain administrative changes very easily, which is owed to the country's flexible constitution and the absence of a need to appease party sensibilities within a government resting on coalitions. The variety of ways in which environmental policy is institutionalized also has to be placed in the context of the recognition that similar problems of institutional design are present in all systems, the most conspicuous of which is how to ensure that environmental concerns are diffused throughout all organizations whose policies have environmental implications and not just those parts of the machinery of government that have the primary responsibility for environmental policy. The discussion of this problem, conceived as an issue in the organization of government, has been most intense in Germany.

The national differences in administrative evolution appear to be fairly stable over time. The most obvious explanation for this is bureaucratic inertia, combined with an interest among ministers in maintaining their turf. It might have been reasonable to suppose that the coalition governments of Germany would have revealed more stable patterns than that of the UK, since complex negotiations over portfolio allocations between hard-bargaining coalition partners might have the effect of stabilizing ministerial responsibilities. However, the coalition factor cannot explain the stability of the British case, where ministerial reshuffles are commonplace and the Prime Minister has the freedom to reorganize the machinery of government, often for purposes unrelated to functional requirements. This two-country comparison thus suggests that bureaucratic inertia is the primary cause of resistance to change, given that domestic or party politics have failed to push for change.

## CHAPTER VII

### DIFFERENT CAPITALIST SCHEMES AND THEIR IMPLICATIONS FOR THE ENVIRONMENTAL GOVERNANCE

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As was stressed in the previous chapters, when discussing environmental governance, it is clear that this concept is delineated and configured by institutions and policies in every scale, under the (almost global) neoliberal framework, within which the privatization of state roles and the financialization of global markets have provoked a rearrangement of power relationships among state, market, and civil society groups. Hence, it could be assumed that global environmental governance is shaped, not only by nation-states, but also by international institutions, multi-national corporations, civil society, and their entangled interrelationships.

Additionally, in the previous chapters, it has been demonstrated that corporations are increasingly keen to represent themselves as “green”. It has been underscored that – at least to some extent – this environmental concern forms part of a rhetorical discourse, because, when trying to distinguish “real” environmental commitments from “rhetorical” ones, understanding the key motivators of the economic actors is fundamental.

This section considers that nation-states are subjected to the normative factors that constitute capitalist relations and that become domestically institutionalized over time, because it is within these relations that firms remain embedded in their home markets.

Moreover, because of this, this section is grounded in the “Varieties of Capitalism” approach, i.e. an institutionalist theoretical development focused on how the interactions between the state, the market, and civil society are organized differently across capitalist systems (Hall&Soskice 2001). Therefore, its objective is to uncover what is behind the motivations of multi-national corporations’ interest in environmental concerns within the two different capitalist frameworks. By answering this question, the expectation is to better understand the relation between environmental discourse and the ways in which it is considered in each of the two capitalist schemes examined in this research.

## 7.1.- Historical Antecedents – The Political-Economic Context of Comparative Capitalism's Approaches

It should be stressed that the varieties of capitalist approaches emerged as a "synthesis" that consolidated more than five decades of work. Hence, in the first part of this chapter, the most influential discussions of and/or approaches to different types of capitalism are presented in a very brief manner as a way to provide context for the varieties of capitalism approach. These discussions and approaches can be broadly classified as: state-centered in the decade of the 1960s, society-centered from the 1970s to the early 1990s, and firm-centered from the late 1980s to the 1990s.

An important precursor to the comparative study of capitalism was the modernization approach, of which Andrew Shonfield's seminal 1965 treatise, "Modern Capitalism", (a comparative study between France and Britain) is one of the best examples. In this work, Shonfield elucidated the diverse national institutional configurations that existed then and how these configurations represented distinct approaches to economic modernization. (Deeg 2006, p59) The main concern of this work was the capacity that each state (though often supported by a state apparatus, such as the elite bureaucracy) had to devise and implement economic policies aimed at the modernization of industries (Kang 2006, p4).

The way each state did this was subjected to the particular institutional configuration of both the state and the economy. This emphasis on the state reflected the general fact that historically high levels of state economic intervention in advanced capitalist economies characterized the postwar era. According to Jackson and Deeg (2006, p8), Shonfield's work represents the connection between prewar theories, which were dominated by the notion of stages of development, and the later comparative capitalism approaches, and which eschewed stages in favor of nationally distinctive models and trajectories.

The 1970s saw the emergence of pluralist and corporatist studies, which, according to Kang (2006, p4), emerged as a response to the lack of attention paid to the role of non-state actors in explaining national variations in institutional arrangements. These studies gave way to so-called "society-centered" approaches, as both approaches considered the political system – and the societal interests that could constrain government actions – to be a better explanatory concept than "the state".

Both pluralist and corporatist approaches are systematic studies of interest representation, which differ in their perception of the institutional form of said interest representation. As described by Schmitter and Lehmbruch (1979, p16), the pluralist approach stresses a "spontaneous formation, numerical proliferation, horizontal extension, and competitive interaction". According to Kang (2006, p5), the pluralist approach is heavily grounded on the theory of interest groups and has served its purpose well in the mainstream of the American political science, as it well reflects the characteristics of private interest representation and group

associationalism that are so comprise the predominant and accepted pattern of societal organization in the United States (Schmidt 1996, p20). In contrast, Schmitter and Lehmbruch (1979, p16) defined the corporatist approach as "controlled emergence, quantitative limitation, vertical stratification, and complementary interdependence", which came to be considered the "European" response to the "American" pluralist approach and has been effective in examining the small European democracies, such as the Netherlands, Sweden, Norway, Denmark, Switzerland, Austria, and, to a lesser extent, Germany. It should also be noted that the corporatist approach considers trade unions and collective wage-bargaining institutions at the center of the analysis. The corporatist emphasis on the structure and nature of a nation's labor movement and collective bargaining system provided an initial understanding of how the industrial relations system interacts with other institutional features of a national political economy (Jackson&Deeg 2006, p10).

Kang (2006, p5) also outlines that some political economists and economic sociologists have attempted to address the capitalist system as an organization of economic activity and have therefore given way to the emergence of theories such as the French regulation theory and its American variant, "the social systems of production", the theory of flexible specialization and the business-system approach. Significantly, the core of these theories lies in the firms and the support that they may receive from external institutions at many levels of the political economy; hence, these theories can be classified as firm-centered approaches. Regulation theory was pioneered by French Marxist political economists, such as Michel Aglietta, Alain Lipietz, Robert Boyer, but shifted away from a conception of capitalist development as a progression of stages to a conception of "varieties" of capitalism. The theory ambitiously aimed to replace a theory of general equilibrium with a theory of social regulation over capitalism (Aglietta 1979). While capitalism is defined by the accumulation of capital, the social relations of capitalism may take many institutional forms.

The theory considered that mass-production regimes (modes of accumulation and regulation) such as Taylorism or Fordism, which became dominant in the 20<sup>th</sup> century, gave rise to different cyclical or structural crises. Therefore, it has become a major theorization for explaining postwar economic patterns, and it is important to remark upon the fact that excellent contributions to the study of macroeconomic performance and forms of labor organization based in regulation theory have been developed. Moreover, that Robert Boyer is perhaps the most influential economist when it comes to transforming regulation theory into a tool of comparative analysis (Boyer 1988; 1997).

Kang (2006, p6) outlines another firm-centered approach: the theory of flexible specialization, which was first formulated by American sociologists Piore and Sabel (1984) and further developed by Hirst and Zeitlin (1989). Its use of abstract theory is less pronounced than in the Regulation Theory and focuses primarily on the area of production in the manufacturing sector as it attempts to describe and explain a new form of manufacturing organization that emerged with the decline of Fordism.

According to Kang (2006, p6), flexible specialization refers to the production of a wide and changing variety of products in small volumes (including single items) for specialized markets, using general-purpose machinery and skilled and adaptable labor. Therefore, it can be viewed as a modern form of craft production, where “flexibility” refers to the nature of a production system, i.e. new technology that permits general-purpose machines to be programmed to produce many different commodities. It follows that multi-skilled workers, often with an understanding of computer applications, are needed in order to get the best out of flexible machinery. “Specialization”, on the other hand, refers to the nature of product markets, i.e. mass markets that have fragmented into a multiplicity of specialized markets, as customers’ tastes and preferences have evolved and sought more variety, individuality, and innovation.

Jackson&Deeg (2006, p10) outlined another firm-centered approach, which also involves, at least to some extent, some characteristics of the society-centered approach. This is the so-called “societal-effect” approach, which has served as a basis for comparing micro-aspects of work organization, primarily in France, Germany, and the United Kingdom (Maurice/Sellier/Silvestre 1986; Sorge&Warner 1986). Firms were compared in relation with their social contexts, conceived and compared in terms of several interrelated sets of institutions: organization, skill formation, industry structure, industrial relations, and innovation (Sorge 1999). According to Jackson and Deeg (2006, p10), the methodological sophistication of these studies has been under-appreciated, but they actually set the stage for truly “holistic” comparisons that understood institutional settings as systemic configurations rather than isolated attributes – a cornerstone of comparative capitalism literature. These differences in the societal contexts of work organization have been also related to distinct business strategies and competitive strengths (Sorge 1991). Another approach that focuses on the firm is the business system approach, which was formulated by Richard Whitley while studying the nature of capitalism and the different ways in which it could evolve through systematic analyses of the development of firms and markets, both in East Asia and Western Europe (Whitley 1992; 1999). Jackson and Deeg (2006, p9) outlined the work of Alfred Chandler (1993) as an important empirical basis for the study of comparative capitalism, because he chronicled the rise of major American corporations and their business organization models – most notably, the rise of integrated managerial hierarchy, what he called “managerial capitalism”. The emergence of stable and autarkic hierarchies in the United States was connected to the competitive nature of markets and extensive utilization of Fordist mass production. When comparing the US to other nations, Chandler found a similar context of corporate hierarchy, but it was distinct in form and coupled with different approaches to production: In Germany, firms tended to cooperate more extensively with each other (e.g. via cartels), hence he termed this “cooperative managerial capitalism”. In Britain, “personal capitalism” prevailed, reflecting the prominent role still played by owner-industrialists.



This business-system approach could be considered as an early version of the varieties of capitalism (VoC) approaches. Therefore, the aforementioned approach could be easily classified into this category, along with Michael Gerlach's work (1992), wherein he outlines the distinction between the liberal capitalism of western capitalist economies and the "alliance" capitalism of Japan. More recently, Ronald Dore's work (2000), which distinguishes between the so-called "stock market" capitalism of the US and the UK and the "welfare capitalism" of smaller European economies.

## **7.2.- The Varieties of Capitalism Approach**

The work of Soskice (1999) and the later collaboration he made with Peter Hall (2001) argued that a capitalist economy does not assume a single, universal form, but instead presents a different form across different nation-states. This assumption gave way to the emergence and development of the Varieties of Capitalism (VoC) approach, which remains the state-of-the-art of the institutional analysis of capitalism.

According to Mikler (2006, p49), the Varieties of Capitalism approach deals with two arguments. One argues that all capitalist economies have been influenced to a great extent by the neoliberal model, which, in turn, is the cause of privatization, deregulation, and free markets, resulting in the transfer of powers from the state to the markets (at least to some extent, because each state has transferred powers according to their very specific institutional capacities).

The second argument deals with the power that multi-national corporations (MNCs) possess. One point of view within this argument considers that MNCs have incentives to standardize their products to reap economies of scale from their global investment, production, and distribution networks. The second point of view within this argument considers that MNCs use their international reach and information networks to tailor products for local markets.

For Mikler, the VoC approach walks a line between these two arguments by saying that, while MNCs may operate both globally and tailor their products to satisfy local market conditions, there is another factor to be considered. This is that the products they offer in the first place are very much determined by the institutional framework of their home territories.

For the VoC approach, capitalist states have institutionalized patterns of behavior that persist over time. It also considers that firms are institutionally ingrained in their native states for historical, political, social, economic, and cultural reasons. Hence, it assumes that, rather than homogenizing through globalization, the different institutional contexts of the nation-states have given way to the development of very specific forms of institutional interactions in a given nation-state. This specific form produces different results in terms of competitiveness, the types of goods and services produced, and the ways in which these are produced.

This comparison follows the reasoning of Mikler, who proposes that the aforementioned variations are directly related to the institutional framework and

that this institutional framework has implications for non-economic outcomes, such as effects on the environment.

According to Fritz Scharpf (see Dicken 2010; Held/McGrew/Goldblatt/Perraton 1999), it could be assumed that the political economy is "populated by multiple actors, each of whom seeks to advance his interests in a rational way in strategic interaction with others". Although relevant actors may also be individuals, producer groups, or governments, the VoC framework is focused on companies, considering them actors that seek to achieve and exploit capacities for developing, producing and distributing goods in a profitable manner. To this end, the companies need to establish relationships with other companies and relevant actors (e.g. suppliers, consumers, stakeholders, trade unions, business associations, and governments), all in the interest of finding an institutional explanation for cross-national differences.

The VoC framework deems that essentially four institutional domains define the incentives and constraints of firms: financial systems and corporate governance, industrial relations, education and training systems, and the inter-company system (the governance of relations between companies).

That is why the VoC approach holds that nations can be compared with reference to the way in which firms resolve the coordination problems they face in these institutional domains.

This approach articulates a theory of comparative institutional advantage, wherein "the institutional structure of a particular political economy provides firms with advantages for engaging in specific types of activities there" (Hall&Soskice 2001, p37).

### **7.3.- Liberal Market Economies and Coordinated Market Economies**

According to this approach and following the reasoning of Meyer (2012, p95), market economies can be situated at the poles of a spectrum along which developed nations can be arrayed: Liberal Market Economies (LME) and Coordinated Market Economies (CME). These types of economies are distinguished by their ways of solving problems of coordination between interests groups. Therefore, in liberal market economies, firms coordinate their activities largely via competitive market arrangements. Their supply of and demand for goods or services is conditions by price signals generated by markets and their decisions are driven by marginal calculations as stressed in the neoclassical economic literature. 'Free markets' are the prevailing coordinating mechanism and the state-industry-society relations can be characterized as rather adversarial. (Meyer 2012, p95-96)

"Market relationships are characterized by the arm's-length exchange of goods and services in a context of competition and formal contracting. In response to price signals generated by such markets, the actors adjust their willingness to supply and demand goods or services, often on the basis of the marginal calculations stressed by neoclassical economics" (Hall&Soskice 2001, p8)

In coordinated-market economies, firms depend more heavily on non-market relationships to coordinate their endeavors with other actors. These non-market modes of coordination generally entail relational or incomplete contracting and more reliance on collaborative, as opposed to competitive relationships. With the state playing a facilitative role, state-business relations tend to be more cordial and constructive. Besides markets, firms have the possibility to rely on a range of additional organizations and institutions for support in constructing their core relationships. (Meyer 2012, p96-97)

“These non-market modes of coordination generally entail more extensive relational or incomplete contracting, network monitoring based on the exchange of private information inside networks, and more reliance on collaborative, as opposed to competitive, relationships to build the competencies of the firm” (Hall&Soskice 2001, p8).

Spekkink&Boons (2010, p4) emphasized the importance of history and culture, they stated that the institutions of nation’s political economies are intextricably bound to their history and in this regards they cited Hall&Soskice (2001, p13) “Many actors have learned to follow a set of informal rules by virtue of experience with a familiar set of actors and exposure to a common culture”.

This has implications for the success or otherwise of policies aimed at addressing environmental problems because of the underlying idea that “in any national economy, firms will gravitate towards the mode of coordination for which there is institutional support” (Hall&Soskice 2001, p9) as cited in (Mikler 2006, p32).

Operating in these dissimilar political environments, firms develop corporate strategies to take advantage of the institutional support available in a given economy for particular modes of coordination, deriving from this a new perspective on issues in strategic management (Hall&Soskice 2001, pvi).

In general and according to Meyer (2012, p99-100), political leaders in LMEs prefer non-intervention in the economic realm and are only likely to take action in the event of perceived large-scale market failure. They compensate for the lack of governmental involvement and perceived failures of the market in order to gain individual moral legitimacy, legitimize the liberal market system in general, and avoid governmental intervention.

Meyer (2012, p100) outlines that, in contrast, policy makers and corporate actors in CMEs rely more on coordination, cooperation, and long-term relationships based on trust to develop sustainability strategies. The presence of institutions that entrench the power of economic actors incentivizes the latter to cooperate.

Corporations are likely to be members of powerful business associations that are independent of the government yet encompassing enough to monitor and sanction their members. Developing unified positions on environmental issues, these associations provide business with leverage in negotiations with governmental actors and significantly reduce transaction costs.

#### **7.4.- Institutional Similarities and Differences Between Liberal Market Economies and Coordinated Market Economies**

It is clear that there is an abundance of concepts underlying the LME/CME divide. For the objectives of this study, this research is based in the line of thought of Mikler (2006, p51), who have developed a categorization of an incremental number of studies developed by authors who have identified themselves as writing specifically on the VoC approach (Berger/Dore 1996; Coates 2005; Hall&Soskice 2001), as well as authors who believe that institutions matter in describing similarities and differences between industrialized capitalist states, and thus may be said to precede or be writing in the VoC tradition in a related capacity (Hall 1997; Hollingsworth 1997; Weiss 1998; Weiss&Hobson 1995; Whitley 1999). The reason for doing this, according to Mikler (2006, p51), is that they analyze the institutional aspects of states' economic performances based on the idea that "institutions are embedded in a culture in which their logic is symbolically grounded, organizationally structured, technically and materially constrained, politically defended, and historically shaped by specific rules and norms" (Hollingsworth 1997, p266). Hence, in the avenue of appropriately describing institutional relations, the selected concepts are: relations between firms and the state, market force priorities, financial market priorities, the organizing principles of firms, the role of technology, the relationship between exogenous versus endogenous factors impacting firms, and the centrality of historical context.

Mikler (2006, p51) states that the major difference between LMEs and CMEs regarding the relations between firms and the state is the extent to which the state and businesses cooperate to achieve mutual objectives. Firms in LMEs tend to pressure their governments for deregulation (Hall&Soskice 2001, p57). They are confident in free markets that operate on laissez faire principles, unless there is a clear case for state intervention due to market failure. By contrast, firms in CMEs expect the state to play an activist role and be a partner in the market with them. As a result, in addition to being strategically coordinated by markets, firms in CMEs are, to a large extent, also coordinated by the state (Berger 1996). It could be considered that a specific characteristic of LME economies is the ideology of non-intervention in markets. Therefore, when it comes to regulation, the LME perspective holds that the state should only intervene to internalize market externalities, and, even in this case, the intervention does not occur in a coordinated manner, but is highly pluralistic in nature, occurring at many levels and with many "voices" involved. Consensus is hampered by competition for a representation of the views of the industry and other players, and there is a tendency to reject compromise. The result is an adversarial relationship between the state, industry, and other stakeholders.

In a CME, the state-business relations are generally conceived as more amicable and constructive. It is not a laissez faire economy, but one in which there is a national approach to economic development with the state playing a "passive,

facilitative role" (Wilks 1990, p138). Thus, the state's role is more one of support for industry and working with industry to further its objectives and to help coordinate its activities. The German state is thus an "enabling state" (Streeck 1997, p38).

While firms in an LME desire deregulation and hands-off laissez faire market operations, firms in a CME operate more on the basis of consensus-oriented negotiation with the state. While "cooperation" with the government has as its goal the "capture" of government agencies to meet the goals of the firm in an LME, the state sets the agenda more in a CME/ Hence, it could be assumed that German firms operate within a collaborative and consensus model for cooperating with the state to develop regulations, agree on targets to be met, and establish priorities and goals to be achieved (Mikler 2006, p54).

Regarding the priorities of market forces, it could be assumed that, in CMEs, market forces reflect – at least to some extent – the strategies of the firm, whereas firm strategies are a reflection of market forces in LMEs. In an LME, there is a market-oriented mentality that dominates the strategic thinking of the firm. This notion could be helpful for understanding the preference of firms in an LME for the state to be "in the background". In this way, markets are the organizers of economic activity and are the primary determiners of production and strategy, with the goal being shorter-term profits via competition within them.

In contrast, in a CME, the markets play less of a strategic organizing role. In this case, rather than competition, the organizers of the economic activity have obligations to the state and society, as well as high levels of coordination between economic actors. As a result, a firm within a CME framework does not focus on short-term gains, because it is concerned with establishing a coordinated strategy that may impart future benefits for the firm itself, its competitors, and the state. On the whole, a preference for deregulated competition in product markets, as well as the primacy of competitive market forces as motivators for action, are features of LMEs. By contrast, market forces comprise one factor among many for firms in CMEs, with a preference for coordination, cooperation, and longer-term relationships based on trust, as organizers of economic activity in markets (Mikler (2006, p55).

This renders clear the fact that what drives a firm in an LME is the desire for higher, short-term returns rather than stable institutional investors. Therefore, regarding financial markets, it could be assumed that, in an LME, firms are expected to be profitable in the short term in order to pay dividends to their shareholders.

In a CME, on the other hand, the banks are regarded as strategic industry partners rather than simply financiers (Wilks 1990, p138). Hence, in a CME, firms rely more on their reputation for solid performance in the longer term, in addition to trust and support from their stable shareholders and financial partners, based on their reputation (Hall&Soskice 2001, p23).

Closer state-business relations for coordinating economic activity are characteristic of CMEs. Greater prominence given to cooperative and relational factors means that markets are less important. This is true in both financial and product markets,

and the result is a longer-term perspective. By contrast, in LMEs, the separation of the state from business is characterized by more adversarial relations and leads to the support of free markets with state intervention only in cases of market failure. In this way, the markets are in charge of coordinating economic activity, and this is true in product markets as well as in financial markets. The result, in this case, is a shorter-term perspective, focused specifically on paying dividends to shareholders. Authors fitting the VOC mold relate these observations to the organizing principles of firms at a micro level.

Necessary to underscore is that firms in an LME organize themselves in a different manner than firms in a CME. This is a result of the different ways in which the state and the market interact with the firms in the aforementioned capitalist schemes. The following table summarizes the key implications of the organizing principles of the firms.

The mandate of making profit and paying shareholders dividends in the short term means that managers in an LME need to possess evidence that investment in new products is likely to provide tangible returns in the near future. In contrast, managers in a CME are more willing to make a “bet” on products that might produce some benefit 10 or 15 years down the track, because they can strategize more for growth and market share, rather than focusing on immediate profit.

Mikler (2006, p62) cites the analogy of Hampden-Turner's and Trompenaars' train (1993, p75) to better illustrate this issue. Managers in an LME want to catch it before it leaves the station, whereas managers in a CME are more willing to invest in the process of research and development for a train that may never come – but if it does, they hope they will already be on board when it reaches the station.

Hence, the focus of a firm in a CME is related to intangible notions such as service and quality, as stated by Hampden-Turner and Trompenaars: “For Germans, value must be deeply imbedded in products of solidity and worth [because] they do not like it when money and its enjoyment becomes separated from worthwhile artifacts” (1993, p213). Whereas the focus of a firm in an LME focuses on profits and margins, in this regard, Hampden-Turner and Trompenaars make the point that managers of firms in an LME believe that, “if they are profitable, then everything else must be alright” (1993, p44).

Mikler (2006, p62-63) defines the concept of a firm by contextualizing it from the different perspectives of an LME and a CME. In this way, he states that a firm in an LME is a legal entity, a place where one works for the moment, where hiring and firing occurs in response to changing market (i.e. profitability) conditions, where management has the power to do this and is expected to, and where there is a large gap between managers and workers in terms of their rewards.

On the other hand, in a CME, the firm is considered to have a more holistic view, in which the firm is focused on, besides making profits, the well-being of a wide range of stakeholders and endures on the basis of attending to their needs (Hampden-Turner&Trompenaars 1993, p32).

Regarding worker's interests, Mikler (2006, p65) suggests that, in an LME, the concept of achievement is regarded mainly in terms of individual achievement, with

cash rewards for success and winning through a competitive process. In this kind of firm, the ideas come from the top, and the lower levels are the responsible for implementing such ideas. On the other hand, in a CME, it comes from a cooperative approach to success over a long period of time, somewhat reflecting, in the case of Germany, their legally mandated, negotiated consensus approach to coordination.

Regarding the relations of authority within firms, it should be emphasized that, in an LME, the managers have more distance from their employees and more power to act unilaterally. By contrast, CME firms are more collective. That is why Mikler (2006, p66) states that relations between managers and workers in LME firms are generally more adversarial than in CME firms.

Regarding technological solutions, Mikler (2006, p67) points out that the institutional framework of LMEs supports radical, rapid change and innovation, because firms have a short-term market focus and can buy and sell subsidiaries without concern for long-term stable shareholdings. Meanwhile, top management possesses greater power to make decisions and implement them relatively unilaterally, including the ability to hire and fire labor. In contrast, the CME framework offers better support for incremental innovation over the longer term because they have a better focus on more traditional, well-developed markets in consultation with suppliers, workers, and other stakeholders. In this sense, Vitols (2001, p339) outlines a key distinction regarding the role of technology in LMEs versus CMEs when he notes that firms in an LME are radical in their innovation and entry into new industry sectors, but behave more conservatively in established ones where they compete more on the basis of price. By contrast, firms in a CME compete more via non-price competition through incremental innovation.

Mikler (2006, p70) stresses the fact that the institutional insights of the VOC approach, and the implications of them in terms of the role of technology, are the result of historical processes. In this way, he considers the VOC approach to be a fundamentally historical approach that focuses on the institutional results of structures, processes, necessities, and cultural imperatives that have historical roots. Following this reasoning, the Prussian state's drive to unite Germany, the aftermath of World War II, and the role of banks in financing growth and the incremental, inclusive consensus-approach to decision-making helped to shape its VOC. In the case of the UK, the collapse of the gold exchange standard in 1931, along with the establishment of the Bretton-Woods agreements, signified its submission to the economic project designed by the US (which, some decades later, would reach its peak under the mandate of Margaret Thatcher). In this way, the UK adopted the stock market as a driver of perceptions of company worth.

There are many implications of such a historical approach, but the fundamental point is that the mainstream approach to understanding capitalist economies (i.e. market forces and the roles of government, including those with respect to environmental externalities) is one that is particularly in the LME vein, derived from historical specificities. However, Germany's different history has produced institutions that "deviate from the prescriptions of neoclassical textbooks"

(Dore/Lazonick/O'Sullivan 1999, p102). For Mikler (2006, p71), the argument above leads to two key implications.

The first is that a pattern of dependence spreads into the institutions and norms that underpin them in each society considered here. The second, which could be considered as the opposite of the aforementioned, signals that norms and institutions are the result of history and can therefore be changed over time.

### **7.5.- Synopsis of the Varieties of Capitalist Approaches in Germany and the United Kingdom**

Before summarizing approach, it would be helpful to outline the institutional structures of the United Kingdom on the one hand and Germany on the other, drawing on the comparison made by Hoffmann (2004, p6-10) based in the work of Hall and Soskice (2001), in which the two nation-states fit perfectly as one case of a liberal model and one of a coordinated model of market economies.

The United Kingdom is characterized as a Liberal Market Economy (LME) (Hoffmann 2004, p6) in that:

- "Ownership" lies at the heart of all economic activity, and hence there is little coordination of market relationships and limited state intervention in the economy.
- The job of effecting coordination for the economic players is performed by highly deregulated markets (just what Adam Smith meant with his "invisible hand").
- Businesses themselves are unable, or barely able, by means of cooperation and coordination, to supply the economy with "public goods" or with basic supply-side goods such as vocational training and basic research and development, or to create the conditions for long-term financing.
- For this reason, businesses (mainly small ones) recapitalize on the stock market and are therefore dependent on the expectations of short-term stock market gains. They prioritize profitability rather than growth and employment, and their "corporate governance" structures (single board, transparent accounting, managerial-CEO-responsibility and remuneration) are geared towards the capital markets or to the shareholders' information requirements and decisions. Employee participation is unheard of, both on the shop floor and in the board; shop stewards are viewed as opponents.
- The level of membership in employers' associations is low; as social partners, these associations are either weak or non-existent, and, at the same time, the trade unions are organized in a highly pluralistic fashion.
- This has, in turn led to the economy being structured in such a way that industry is, on average, characterized by low-level, "common or garden" qualifications and poor wages. Consequently, there is extremely hierarchical company organization, use of university graduates in even skilled technical positions and as junior managers (Bosch&Knuth 2003), and, in some cases, huge wage differentials:

"Where marketable skills, long-term finance, encompassing employer and labor



organizations, and investment in technological development are absent, firms are forced to concentrate on products that can be produced at low costs using standardized production methods" (Wood 2001, p250).

Nor does this picture conflict with the simultaneous existence, in the British economy, of sectors that produce high-tech goods using highly qualified workers, because according to Hoffmann (2004, p8)

- Owing to their extreme dependence on the stock market (including access to venture capital) and the great flexibility of the external labor market, large companies in the UK are able to invest rapidly in product innovation with the aid of venture capital, e.g. in the pharmaceutical sector and in financial services (Vitols 2001). To this end, they buy the requisite skilled labor at high cost on the labor market or even develop and maintain "internal labor markets" within companies (protection against dismissal based on the principle of seniority and generous pay packages for the highly skilled).

Germany, on the other hand, bears all the hallmarks of a typical "Coordinated Market Economy (CME)" (Hoffmann 2004, p8), in that:

- There is extensive structural coordination of economic activity between companies and associations through overlapping company shareholdings, through the banks' controlling role in the form of company shareholdings, and through the semi-public functions of corporatist associations, trade unions, and the state in research, social, and industrial policy.
- Some 90% of German companies are organized in federations of enterprises (trade associations and employer organizations), and it is compulsory for all companies to belong to chambers of commerce and industry.
- Generally speaking, collective agreements are applied sector-wide throughout a given region (over 60%) and are normally adopted even by companies that do not belong to these associations; the state has powers to order these agreements universally applicable.
- This network of companies, the state, semi-governmental institutions (e.g. the chambers) and trade unions enables firms to solve problems of collective action through cooperation and coordination, and to secure the supply of "quasi-public goods", such as vocational training, research and development, long-term finance, and the dissemination of technology.

"Capital coordination facilitates product market strategies which employ the collective goods it makes possible" (Wood 2001, p249).

- Companies are able to do so because they are primarily reliant on long-term bank loans (from their own bankers) or, as corporate enterprises, on shareholders – the big banks (which manage the investment portfolio), the state, or insurance houses – who perceive their role in light of long-term company policy. In other words, they are stakeholders and utilize their capital strategically. Because of the

separation between the supervisory board and the management board, and thanks to employee participation (work councils and worker representatives on the supervisory board), company policy is directed towards multiple long-term goals (profitability plus a combination of company growth and employment security).

- The dual system of training (vocational training comprised of both general and sector-specific knowledge) is organized on a cooperative, tripartite basis. This, combined with protection against dismissal, not only enables companies to invest in improving the skills of the workforce without fear of “poaching”, but also, given the rigidity of external labor markets, leads to greater *internal* flexibility within companies (Bosch&Knuth 2003), which forms part of the basis for high-quality, export-oriented production.

- It then follows that companies incrementally develop a process of innovation as a quality-based competitive strategy, which is why Germany lags behind in the field of high-tech production but is able to focus on “medium-tech” production in the manufacturing industry.

- It is also true that, in Germany (as in other CMEs), not only are skill and wage levels relatively high, but in comparison with the UK, the wage distribution is relatively low – not least on account of the trade unions’ pay policies and the redistribution effected by the welfare state.

Each type of economy, as Hoffmann (2004, p10) puts it, has its own specific *institutional balance* made up of a network of specific institutions (practices, norms, rules, market relationships, forms of corporate governance, and trajectories of technological innovation), which are closely interwoven and often complementary. This, in turn, for both types of economy examined here, has led to very specific forms of institutional balance that cannot simply be replaced by “importing” an alternative model (Boyer 1997, p92).

According to Mikler (2006, p72), at the core of the VOC approach is the belief that there is no universal rationality that describes firms’ strategic priorities across all states. Individual states have developed particular institutions over time, which underpin their different varieties of capitalism. As such, “standards for evaluating organizational performance and prevalent criteria for judging firms’ strategic priorities vary significantly across institutional regimes and cannot be derived from a single universal market rationality” (Whitley 1999, p13). From the discussion above, Mikler distills some key, linked drivers of firms’ strategic priorities in LMEs versus CMEs.

1. There are closer state-business relations in CMEs (for Germany, the case is a coordinating role for the state) versus the separation of the state and markets in LMEs.

2. In the case of Germany, a resulting priority for markets as organizers of economic activity in LMEs (in both the product and financial spheres) versus markets as one of a variety of mechanisms for organizing economic activity in CMEs on a more relational, cooperative basis is that the role of society and a feeling of responsibility towards it is particularly important, as well as negotiated consensus between a range of stakeholders often prescribed by law.

3. A firm may be conceived of as a network of contracts with significant power invested in the management in LMEs and that acts on market signals to make profits in the short-term and pay dividends to shareholders. This contrasts the firm as a collective (as in Germany) in CMEs, which acts to enhance its reputation through close relational ties with stakeholders.

4. There is a preference for non-price competition via product innovation in established industries in CMEs via incremental technological change, versus price competition in established industries in LMEs. Radical technological change is favored in new industries in LMEs. However, in some cases, CMEs may produce quite radical technological advances over time, even in established industries. As Mikler demonstrates, these drivers of firm strategies imply a shorter-term perspective for LMEs versus a longer-term perspective for CMEs. This is because, in the latter, there is less focus on markets, profits, paying shareholders dividends, and competing in established industries on the basis of price. A clear preference for materialist perspectives on the part of LME-based firms is also implied. This is the result of the institutional basis for capitalist relations in LMEs, whereas institutions in CMEs lead firms to focus more on a responsibility to society rather than shareholders, responsibility to fellow employees rather than economic pressures, and market share and influence rather than short-term profit. Given the differences identified, the VOC approach also says that firms gravitate towards those modes of behavior and action that have institutional support and are therefore most efficient. This has implications for traditionally less “core” considerations, such as the environment, and suggests a further lesson, which bears explicit identification here. It is that universal *prescriptions* for the “best” institutional foundations miss the point. Different cultures within firms and the societies that give rise to them mean that similar actions have different ramifications. If anti-trust laws were lifted in the UK, would this lead to greater cooperation and collaboration to the benefit of society, as is the case in Germany? The result is surely no, because the LME form under which capitalist relations operate in the UK would surely increase the propensity for exploitation of the market to the detriment rather than the benefit of consumers. Should the UK adopt the elaborate codification process for workers' and managers' rights and responsibilities, and the regulatory framework between the state and business as it exists in Germany? This would surely tie the UK system up in more disputation and litigation than it currently has, and would potentially rob the UK of its key advantage over the Germans: the ability to act rapidly to respond to market challenges. Therefore, it could be assumed that value judgments as to whether different VOCs are “good” or “bad” are largely futile. The institutional features of these states are what they are. They may change over time, or they may not – it is hard to tell (Dore/Lazonick/O’Sullivan 1999). Rather than declaring which variety of capitalism is better, the point is to tease out the implications of these institutions.

## 7.6.- Final Remarks

The insights of the VOC approach have been delineated in this chapter mainly by following Mikler's line of thought, because he focused on finding the environmental motivations of firms within each capitalist model. As stated in the introduction to this chapter, this approach was considered novel in the sense that, rather than the examination of the competitive advantages of states' industrial bases, or the operation of their product, markets, financial markets, etc., what is demonstrated is that a state's variety of capitalism has implications for traditionally less "core" considerations, such as the environment. As environmental questions increase in importance for business, the point is that institutional differences in capitalist relations between states have implications for whether, and how, firms from different nation-states address the environmental impact of their operations. An incremental approach to environmental concerns could be expected from firms in a CME such as Germany – that is, based on consensual cooperation with regulators and mindfulness for the concerns of society and the variety of stakeholders. The aim of firms will be to balance competing views and interests via gradual and incremental measures aimed at ensuring ongoing consensus and cooperative coordination, while, at the same time, maintaining profits.

For firms in an LME such as the United Kingdom, it could be expected that the concern for the environment will be expressed more in material terms of market forces, profits, and competition (i.e. winning rather than consensus). If firms take environmental action, it could be expected that the rationale for this is expressed in terms of what consumer demand dictates and what state regulations require. These must be addressed in the short-term in order to maintain their market position, profits, and shareholder value.

The major point that Mikler outlined is that there is national variation in motivations for responding to environmental challenges on the basis of national institutional differences, rather than some global convergence on environmental priorities per se.

The main point of this study, however, is to illustrate that, no matter the variation in motivations, the environmental concerns in both varieties of capitalism present one common objective, which is: the generation of profit.

Therefore, this answers the research question and hence validates the hypothesis of this study.

## CHAPTER VIII

### CONCLUSIONS

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This research represents an effort made towards contribute to the critical thinking from an analysis of the hegemonic neoliberal ideology, which supports the idea of the end of history and the technocratic universalism which in turn implies the imposition of a single model of life, denying, in the name of realism and the end of utopias, any other alternative possibility.

This makes it necessary to recover the critical thinking to analyze and understand the reality, thus overcoming the ideological barrier towards claiming that things can be otherwise.

It is clear from this research that the discourse of sustainable development has unquestionably transformed the context and content of political activity in Europe. This discourse has exercised an obvious influence in the Governance processes, mainly because it has contributed to the introduction of a new political field, which was then promoted, either explicitly or implicitly by policy-makers, researchers on the field and practitioners during the last three decades. Though it may be bold to affirm that the discourse of sustainable development is the sole driver of these whole set of changes, there is no doubt that it has played a key part in the way in which the governance priorities have been handled in the European continent.

The research findings show that the sustainable development is built upon a neoliberal ideological construct, which denotes a strong sense of confidence and triumphalism, just as 'the coherent and directional history of mankind' (Fukuyama, 1992 p.89), where the basic idea, articulated very clearly is that the way forward is through adherence to the political and economic principles of the capitalist democracies which are no other than democracy and free market. The research highlighted the fact that the Financial Institutions, which are based in Washington, institutionalized this discourse all around the world. These institutions have been essential for the construction and maintenance of hegemony because they help to soften domination by diffusing legitimating ideas and that could be the reason why some government agencies and civil servants can participate in a potentially lucrative neoliberal agenda even while their peers in government and society do not, and thence this fact could be considered as the reason of the quick expansion of the neoliberal economic ideology all around the world.

In this way the dynamics of the market and the pursuit of pecuniary gain above everything else are considered as the embodiment of reason and progress.

Through this, the discourse of sustainable development aims to regulate capital and internalize social and environmental costs as is deemed most beneficial to the capital and the environment as a whole, thence it is clear that sustainable development equals sustainable remuneration, which could be considered a very sustainable form of capitalism.

As it has been stressed in the research, the environmental euphemism, better known as sustainable development gave way to the creation of the green economy concept, which is nothing more than a synonym for green capitalism, which has been presented as the solution to the problems of economic stagnation and unemployment and that is why it has been promoted by governments, international agencies and large corporate groups. And that is precisely the reason why it is now deeply embedded in the logic of normalization found in global governance regulation and is compatible with the neoliberal method of production and distribution.

But, under what conditions is it possible to conceive a lasting platform of capital accumulation that is consistent with the improvement of the environment and the health of the biosphere in the long term?

Two pillars support green capitalism. The first consists of a series of goods and production processes that would be less harmful to the environment. Recycling and greater technological efficiency would be guiding principles throughout the production process. The second would be the market as a tool to repair existing environmental problems, since the concentration of greenhouse gases in the atmosphere, to damages in the ecosystems. The market solution would be associated with the privatization and commodification of all components of nature. In green capitalism, nature is a set of physical objects that may be appropriate and valued as any input from the capitalist production process. The notion of natural capital would be a component of this vision of growth, which (at least theoretically) would be compatible with conservation. This means that the capitalist economy would be able to attract and introduce new technologies in the production and consumption that would allow, among other things, the reduction of the energetic component in the total cost equation.

In a capitalist economy the transition to a new platform of accumulation of capital entails a process of technological transformation of large amplitude. This has to rely on a flow of investments that allow the massive introduction of innovations, meeting in turn the above criteria.

In the past, capitalism demonstrated a great capacity for technological change. That is why the neoliberal ideology holds that in any given environmental scenario, the capital is always able to find technologies that reduce the cost of production. It should be stressed that under current conditions, with a global economy dominated by finance capital, and in the midst of an international struggle to see who takes the role of hegemon (and reorganize the world economy around their interests) it may be the case that the capital will not have the aforementioned transforming capacity.

It is also important to note that the interests of finance capital does not favor in any case the structural change that would have to take place in the industrial sphere. In addition, macroeconomic policy worldwide is directed to look after the interests of finance capital, as evidenced by the obsession with 'price stability'. The result does not allow the structural change in the real economy.

Capitalists need to have expectations that their investments with new (green)

technologies can be recovered and will be associated with appropriate gains associated with a satisfactory timeframe. And this reference to the profit rate implies a reference to the wage relation: here we enter an argument that proponents of the green economy systematically shun. To talk about capital is allowed, but to talk about wages it is not.

Maintain a stable rate of return implies, in the current situation, to repress the growth of wages. But wage repression involves acute problems of commodity manufacturing unless it is based on credit. This is what sustained the consumption rate over the past four decades in the major capitalist economies, but it should also be noted that the aforementioned process led to the 2008 crisis. It is hard to get out of this dilemma because the institutions and social norms that led to wage stagnation are rigid and cannot easily be changed.

An additional problem is the overinvestment in almost all-important branches of industry worldwide. From the industries that operate near the base of natural resources (steel, cement, aluminum, glass, etc.) to the industries that manufacture consumer goods (automotive, shipbuilding, electronics, etc.) the standard productive capacity exceeds by far the global demand. This will make more difficult the transformation because core branches will resist the change until the repayments guarantee them an adequate return.

If green capitalism is the answer, what is the question? Green Capital is not the solution to the serious environmental problems, much less growing inequality. It is an ideological justification for the need to ensure the continuity of a social relation of class exploitation.

The research also outlined the existence of institutional arrangements, rooted in the militaristic-developmental nature of the nation-state, which aims above all at conquest, expansion, and control. Therefore, such arrangements will be inadequate to understand, let alone address, the dynamics of industrial development, and in fact, they actually contribute to legitimize such unsustainable industrial development. This fact is of an exceptional importance for the research because it suggests what could be expected from both the nation-state and the global governance institutions, because it exposes the non-neutrality of such dominant actors when trying to address the current and always increasing global environmental crisis.

This makes evident the fact that the so-called 'global environmental governance' is nothing more than the institutionalization of biased approaches whose objective is to foster development opportunities through the rhetoric of sustainable development while through environmental regulations they seek to regulate markets. Thence it could be assumed that the environment is being adapted to the needs of the new global institutions, and not the other way around.

The research findings stressed that democracy, when understood as a system that gives opportunities for people to manage their own affairs, being these collective or individuals, is under attack all around the globe, including of course the industrialized northern countries. And the same could be said regarding markets; all of these issues are rooted in the powerful totalitarian structure of corporations,

which have an entangled relation with powerful nation states and, which in turn, and at least at some extent, serve as support for those corporations. All of these inter-linkages go unnoticed by the average citizen, which is manipulated through organized mass opinion, which in turn, is usually broadcasted through the media. This manipulation is an imperative feature of the democratic process, and is demonstrated each time that the citizens in any part of the world get organized in order to find a solution for any given problem which has not had the sufficient governmental attention and is catalogued by the neoliberal elites, and therefore by the media as 'a crisis of democracy'.

Thence, it is clear that democracy refers to 'top-down' forms of control, with the citizens playing mainly the observer role, without interest in taking part in the political arena.

It should also be outlined the fact that markets are always a social construction, and that in the specific form that they are being arranged by social policy they should serve to restrict democracy, as in the case of the International Financial Institutions, and that is the reason why the World policy is subjected to huge Transnational Corporations which have the power to restrict the arena of 'real democratic' politics.

"The big transnationals want to reduce freedom by undermining the democratic functioning of the states in which they're based, while at the same time ensuring the government will be powerful enough to protect and support them." (2006, p8)

As it was presented in the chapter 4.1, there have been a large number of debates about whether capitalism is compatible with democracy, at this point, it should be stressed that if we keep to the real existing capitalist democracies, the question is effectively answered: They are radically incompatible.

Regarding environmental issues, the policies and the public attitudes diverge sharply, as is often the case in real existing capitalist democracies, where the media reports present a controversy between two sides in environmental issues. In one hand renowned scientists and academics, as well as professional scientific journals claim that global warm is taking place, and that it is leaded by human behavior, they stress the fact that the situation is serious and that is only a question of time until the process escalates and become irreversible, which of course will have severe economic and social consequences, it must be outlined that regarding complex scientific issues it is rare to find such a consensus.

In the other hand, the propaganda campaign present the opinion of skeptics which talk about GDP and economic growth, issues that have their roots in the market doctrine which is the angular stone of the real existing capitalist democracies, and which could be defined as the structural support of the aforementioned democracies which serve wealth and power. Though it must be stressed that such doctrines present weaknesses, better known as 'market inefficiencies' such as the failure to take into account the effects on others in market transactions, and this fact is particularly true for Financial Institutions because their task is to take risks,



calculating of course the potential costs for themselves. What they do not take in consideration are the consequences of their losses for the economy considered as a 'whole'. The consequences of the aforementioned externalities can be substantial, and the current financial crisis provides a clear example; because it is partly traceable to the major banks and firms ignoring the possibility that the whole system could collapse when they undertook risky transactions. Thence it could be considered that through this behavior it is demonstrated the profoundly undemocratic character of state capitalist institutions, which function in general terms is to socialize cost and risk and privatize profit. This behavior is not limited to financial markets, the economy as a whole is based upon the dynamic state sector, with much the same consequences regarding cost, risk, profit and decisions, which are essential features of the economic and political system.

And at this point it should underlined the fact that an environmental catastrophe is far more serious than the financial crisis, because when referring to the environment, the externality that is being ignored by the real existing capitalist democracies supported in turn by the Bretton Woods Institutions is the fate of every specie that lives on the planet.

The research discussed the way in which the Environmental Policy emerged in the European Union during the course of the seventies, and how it became institutionalized through the creation of the single market along with the Single European Act, which was then consolidated in the Maastricht Treaty. Thus giving way to the creation of a novel set of institutions, principles and practices that are now inherent to the European system of environmental governance. In this way, the environmental protection in the European Union was no longer a burden and became a potential source of growth at the long-term. This helps to understand why policy makers weren't too much distracted with environmental concerns and placed the logic of environmental action in an evident supranational level. Thence, it could be said that for the governments, the transnational institutionalization of environmental governance was just a process that did not interfere with their policy preferences.

Going back to the system of European governance, it is defined as a system because all the components of it are related to one another, but as each country has their own way to deal with the environmental policy, and as it has developed strong and effective in some areas it shows considerable signs of weakness in others, so it could be said that the system is incomplete. In this line of thought and as important decisions are made at different tiers of authority (the European Union, the national level, the subnational level) and as in order to understand what happens in one of the aforementioned levels, it is necessary to understand what is happening at the other levels, it could be said that this European system of environmental governance is also multi-level. Here, it should be outlined that this multi-level characteristic could be considered as a permanent feature of the environmental policy making within the European Union. The findings of the research also outlined how the European Commission through its capacity to make use of symbolic and informal policy instruments demonstrated that it is able to

shape the norms and principles that would hereafter underpin a distinctly European system of government. From the mid-eighties, Commission, Parliament, and Court demonstrated how, whether together or at odds with one another, they could influence the environmental agendas and play a leadership role in environmental governance.

Notwithstanding, rather than claiming this to be evidence of a move from passive to purposive institutionalism, it could be considered more as recognition of the adaptability and malleability of the European Institutions. Although they have the capacity to act purposively, they do not always do so. They have at their disposal a range of strategies and roles that they might adopt in order to achieve their ends. While it could be wrong to see national governments as anything other than the most important actors in the environment policy game, establishing the limits within which the European institutions can act, then the European Institutions could be considered as purposive, and this purposiveness could be considered as subjected to nationally imposed constraints, in this way, saying that an Institution may be able to act purposively is not the same as saying that the aforementioned institution is able to act independently.

The inter-institutional relationships and the interactions among a wide range of policy actors shape patterns of environmental governance at the European level, but the European Institutions are not the only actors involved in the environmental governance in Europe, even when they play some of the main roles, in this sense, national and subnational governments as well as interests groups are also sources of considerable influence. Hence, it is clear that the European Institutions play an important role and help to delineate the environmental governance. Nevertheless, it should be outlined that the Environmental Governance is defined by a combination of factors such as the structural and procedural contexts, which in turn are based in the principles and values, which permeate the overarching political framework in each one of the national states that integrate the European Union. In this sense, after analyzing the way in which policy is made, it became clear how technical and scientific inputs merge into policy and are blurred within the political discourse, which character is established institutionally. This confirms the issues that were discussed in the third chapter of the research, because through this analysis it is exposed the way in which the hegemony is maintained through the neoliberal institutions.

It is clear from the research that individual Nation-States offer favorable conditions for the conformation of modes of regulation based in the institutionalized unit on consensus and coercion, and confere consistency and a relative stability to the process of capitalist accumulation, it was also stressed that the international economic and politic processes are not mere consequences of the joint action of isolated national societies, but represent their own structures and dynamics which react among each other. Also it was outlined the fact that some Nation-States may have opposed perspectives regarding a particular issue and that is the reason that in the global capitalist model the processes of accumulation of capital must be institutionally and politically regulated, to guarantee a relatively stable exchange

of money, workforce and commodities. So, it could not be considered surprising the fact that the institutions in charge of such regulation are governments, central banks and the international financial institutions.

Trying to outline the characteristics of what makes the difference between the two Nation States, the research focused on an examination of the policy styles and principles of each one, on the assumption that these characteristics would reflect the underlying institutional influences towards the understanding of how issues have been dealt in subsequent periods. From the findings of the research it was clear that these tend to relate to general national approaches to policy-making, nonetheless, Germany has developed and transformed their principles and styles in ways that have responded to key elements of new demands for environmental protection and although the *Vorsorge prinzip* often remains operative only in the rhetorical level, it is true that there are cases where the principle at least strengthened the case for higher standards of performance.

The UK, in which the notion of *best practicable environmental option* derives from the consensual style of regulation - its traditional approach-, it prioritizes economic growth over environmental protection, thence when a proposal for environmental protection is made it is questioned the arguing that issues of economic cost should always need to be in consideration.

It is clear that the European Union has influenced the ways in which are being handled the environmental affairs, in general terms the changes in policy styles in both national States have been developed through the European Union's pressures to adopt the program of ecological modernization, a dynamic which objective keeps being the establishment of the single market.

The manner in which environmental policy is institutionalized cannot be detached from the general and overarching institutional arrangements of each Nation-State.

The most obvious institutional variables in this respect are the constitutional ones.

Thus, the pattern of institutionalization in Germany is conditional upon the constitutional framework, which in general secures a decentralization of power and considerable autonomy for subnational authorities. The rapid, if interesting, experiments that were such a marked feature of the United Kingdom's experience depended upon British governments having the comparative freedom to ordain administrative changes very easily owing to the country's flexible constitution and the absence of a need to appease party sensibilities within a government resting on coalitions.

The variety in the way in which environmental policy is institutionalized has also to be placed in the context of the recognition that similar problems of institutional design are present in all systems, the most conspicuous of which is how to ensure that environmental concerns are diffused around all organizations whose policies have environmental implications and not just those parts of the machinery of government that have primary responsibility for environmental policy. The discussion of this problem, conceived as an issue in the organization of government, has been most intensive in Germany.

The national differences of administrative evolution appear to be fairly stable over time. The most obvious explanation for this is bureaucratic inertia, combined with an interest among ministers in maintaining their turf. It might have been reasonable to suppose that the coalition governments of Germany would have revealed more stable patterns than that of the UK, since complex negotiations over portfolio allocations between hard-bargaining coalition partners might have the effect of stabilizing ministerial responsibilities. But the coalitional factor cannot explain the stability of the British case, where ministerial reshuffles are commonplace and the prime minister has the freedom to reorganize the machinery of government, often for purposes unrelated to functional requirements.

It must be stressed the fact that Germany, which before 1982 was often seen as a laggard Nation-State regarding international environmental issues, suddenly changed its position and became a leader regarding this issues after 1982, thus giving more weight to environmental issues in the balance of national interests within the European Union. It should also be outlined that Germany did this quick conversion because after making a domestic decision about air pollution policy in 1983, it was anxious that other countries did not gain a competitive advantage over it, in terms of their energy costs. Thence it could be said that Germany played a very significant role in the emergence and development of the European environmental governance. This issue is a clear example of how the environmental policy has developed to be a policy area in which competing national priorities are being played out. The United Kingdom, on the other hand, often resisted the measures that were supported by Germany mainly for the involved costs, while also arguing that it contradicted their scientific basis.

These struggles of priority demonstrate differences in public thought and attitude in each Nation-State, differences in the political importance to be given to environmental policy over competing political goals, differences of national understandings of policy problems, differences over the importance to be given to different forms of environmental policy, different traditions of thinking about economic development and government intervention, and of course differences of economic capacity. This economic capacity reflects the antagonistic national positions on the priority to be given to environmental measures, but also reflect more general differences of economic philosophy. Within a regulatory-interventionist mode of policy, arguments for publicly supported developments in cleaner technology are more likely to get a hearing than it is possible in a more neoliberal ideological context. In this way Germany prioritizes on the 'steering' of the market by the government, by contrast with the strong anti-interventionist views of the Thatcher and successor governments.

It is no surprising that there is a latent struggle between a liberalizing economic policy, which supports the deregulation of markets on the one hand and the requirement of environmental policy on the other. One typical argument for having a public policy on the environment is that regulatory measures are needed in order to cope with market failures. From this perspective, it is being reaffirmed that environmental pollution is an economic externality in which the costs or production

and consumption are not fully internalized to the transactions of voluntarily contracting parties. Under these circumstances, a case for public intervention exists on grounds of economic efficiency alone. Correcting for externalities by forcing producers to internalize the costs will lead to a better use of resources. When seen on such liberal terms, the case is especially strong for the regulation of international environmental protection by the European Union.

Regarding the level of economic development, it cannot be considered surprising the fact that Germany pushed for high environmental standards at the international level, particularly in the spheres where its world-class engineering industry could obtain a competitive advantage. For a large part of the German industry pressing for higher environmental standards has been economically advantageous because such standards expanded the market for high-quality German engineering. Thence it could be considered that the discourse of sustainable development has an obvious material basis.

## 8.1.- Main Achievements

Going back to the theoretical framework of the research, it is clear that the sustainable development, although being founded as a supposedly environmental concern, forms part of a rhetorical neoliberal discourse which unleashes a green inertia, in this way National States, International Institutions and Multi National corporations (the major actors on international environmental governance) are being attracted to represent themselves as 'green'. Then, considering that the Nation-States are subjected to normative factors that constitute capitalist relations that become institutionalized over time in their home States, a comparative study grounded in the Varieties of Capitalism approach was developed. The drive for the development of this comparative study was to try to find out what are the motivations of Multi National Corporations towards environmental concerns (with the objective to differentiate 'real' environmental concerns from 'rhetoric' ones) in the two selected Nation-States (each one representing a different capitalist framework), towards a better understanding of the relation between the environmental discourse and the ways in which it is being considered in each one of the two capitalist schemes.

This kind of comparative analysis could be considered innovative (at least at some extent), and it may contribute to the Varieties of Capitalism literature because rather than examining the operation or competitive advantages of states' product or financial bases, what this comparative study shows is that a variety of capitalism has implications for what is conventionally regarded as a less 'fundamental' consideration such as the environment.

As environmental questions increase in importance for corporations, the point is that institutional differences in capitalist relations between states have implications for whether, and how, firms from different states address the environmental impact of their operations.

It should be expected to see an incremental approach to environmental concerns from firms in a CME such as Germany, that is based on consensual cooperation with regulators and mindful of the concerns of society and a variety of stakeholders. The aim of firms will be to balance competing views and interests via gradual/incremental measures aimed at ensuring ongoing consensus and cooperative coordination, while at the same time maintaining profits.

For firms in a LME, such as the United Kingdom, it could be expected that the concern for the environment will be expressed more in material terms of market forces, profits and competition (i.e. winning rather than consensus). If firms are taking environmental action, it should be expected to see the rationale for this expressed in terms of what consumer demand dictates and state regulations require. These must be addressed in the shorter-term in order to maintain their market position, profits and shareholder value.

The major point that Mikler outlined is that there is national variation in motivations for responding to environmental challenges, on the basis of national institutional

differences, rather than some global convergence on environmental priorities per se.

The main point of this study, however, is to outline that, no matter the variation in motivations, the environmental concerns in both varieties of capitalism present one common objective, which is: the generation of profit.

Thence, this answers the research's question and therefore validates the hypothesis of this study.

## 8.2.- Final Thoughts

At the beginning of this chapter it was mentioned that it is necessary to recover the critical thinking to analyze and understand the reality, overcoming the ideological barrier towards claiming that things can be otherwise.

This statement could be considered utopic, since what is the case in overcoming the ideological barrier and understand the reality if there is nothing to be done against the dismantlement of the neoliberal superstructure, which is supported by the institutions in charge of the global economy and besides that, is also well established all around the globe?

It must be remarked that an utopic alternative is needed as standpoint to realize that what is given is not the only possibility. "We need to radicalize the imaginary as an antidote to the total imposition of neoliberal technocratism in the common sense." (Lander, 1971)

In this direction, David Harvey stated:

"I think that there is always the need to have in mind an utopic vision, (...) a place that we want to reach, where we want to be, even if in the end we don't reach it, in a certain sense it does not really matter if we get there or not. But if you have a vision, trying to move the things, these things are moved in a direction or the other." Harvey in (Boulet, 2013)

So, with this research I hope to contribute to the development of the aforementioned utopic vision, what is given is not the only possibility!



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